SCOTTS VALLEY
FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383

Board of Directors
Agenda
Wednesday, September 9, 2020, 6:00 P.M.

Complete Board Meeting packets are available upon request and on Scotts Valley Fire District's website. Call (831) 438-0211 or visit www.scottsvalleyfire.com.

Any person who requires a disability related modification or accommodation in order to participate in a public meeting should make such a request to Steve M. Kovacs, Board Secretary, for immediate consideration.

Notice of Teleconferenced Meeting

Pursuant to Governor Newsom's Executive Order N-25-20 regarding COVID-19, members of the Scotts Valley Fire Protection District Board of Directors and staff may participate in this meeting by teleconference. To reduce the spread of COVID-19, members of the public are encouraged to listen to the meeting from their homes via teleconference by calling +1 408-638-0968, enter the meeting number when prompted (95864606404) and entering Access Code **710819** or connecting to the meeting online via their computer, smart phone or tablet at the following link:
https://zoom.us/j/95864606404?pwd=c0FzL2RxTG5jcHljY1RqbW1PME9Bdz09

1. Call to Order

1.1 Pledge of Allegiance and Moment of Silence

1.2 Roll Call

2. Closed Session: Government Code §54957.7

2.1 Conference with Labor Negotiators: Government Code §54957.6
Agency Designated Representatives: Robert Campbell and Joe Parker
Employee Organization: All

3. Open Session

3.1 Report on Closed Session: Government Code §54957.1

4. Public Comment (GC §54954.3)
This portion of the meeting is reserved for persons wishing to address the Board on any matter not on the agenda. Any matter that requires Board action will be referred to staff for a report and action at a subsequent Board meeting.

5. Agenda Amendments (GC §54954.2) – Discussion/Action

6. Consent Calendar
(Consent calendar items will be enacted upon by one motion. There will be no separate discussion on items unless a Board Member, Staff, or member of the public requests removal of the item for separate action.)

6.1 Minutes: Approve Regular Board Meeting Minutes of August 12, 2020

6.2 Minutes: Approve Special Board Meeting Minutes of August 27, 2020

6.3 Payroll: Approve August Payroll 17 and 18 in the amount of: $447,674.21

6.4 Expenditures: Approve Expenditures for August in the Amount of:

General Fund:	$66,943.28
SCHMIT:	$ 5,703.94
TOTAL:	$72,647.22

6.5 Review Four CalPERS Annual Valuation Reports as of June 30, 2019 (Classic & PEPRA Safety and Miscellaneous Plans)

7. Action Items

7.1 Post-Employment Healthcare Benefits for Local 3577 Represented Unit and Chief Officers, Discussion/Action

7.2 Approve the Memorandum of Understanding with the Chief Officers for July 1, 2020 through June 30, 2021

7.3 Approve the Memorandum of Understanding with the Scotts Valley Firefighters I.A.F.F. Local 3577 for July 1, 2020 through June 30, 2021

7.4 Adoption of a Revised Publicly Available Pay Schedule per Government Code §20636, Discussion/Action

7.5 Approved Revised Policy 1608: Reserve Guidelines, Discussion/Action

7.6 Adopt Resolution 2020-9: Resolution Approving Agreement to Prefund Other Post-Employment Benefits, Discussion/Action

7.7 Adopt Resolution 2020-10: Resolution Approving the Agreement to Prefund the California Employer Contribution to a Defined Benefit Pension Plan, Discussion/Action

8. Board of Directors and Administrative Reports – Information/Discussion
(No action will be taken on any questions raised by the Board at this time.)

8.1 Board of Directors Report – *Directors*

8.2 Administrative Report – *Chief Officers*

9. Correspondence

9.1 Thank You Note to A-Shift – Sonia O'Brien

9.2 Thank You Note to B-Shift – Suzanna Garden

9.3 Thank You Note – Gavin Pouw

9.4 Thank You Drawing

10. Request for Future Agenda Items

11. Adjournment

Next Regularly Scheduled Board Meeting:
Wednesday, October 14, 2020 at 6:00 p.m.

SCOTTS VALLEY FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383

MINUTES OF THE
SCOTTS VALLEY FIRE PROTECTION DISTRICT
BOARD OF DIRECTORS
REGULAR MEETING OF
August 12, 2020

Notice of Teleconferenced Meeting

Pursuant to Governor Newsom's Executive Order N-25-20 regarding COVID-19, members of the Scotts Valley Fire Protection District Board of Directors and staff participated in this meeting by teleconference. To reduce the spread of COVID-19, members of the public were encouraged to listen to the meeting from their homes via teleconference by calling +1 408-638-0968, enter the meeting number when prompted (98201736803) and entering Access Code 261307 or connecting to the meeting online via their computer, smart phone or tablet at the following link: https://zoom.us/j/98201736803?pwd=OHB5dU5VNWRyU0lYWVRlRjVUMW9sUT09

1. Call to Order

The Regular Meeting of the Board of Directors of the Scotts Valley Fire Protection District (SVFPD) was held on Wednesday, August 12, 2020. President Pisciotta called the meeting to order at 6:00 p.m.

2. Closed Session: Government Code §54957.7

2.1 Conference with Labor Negotiators: Government Code §54957.6
Agency Designated Representatives: Robert Campbell and Joe Parker
Employee Organization: All

At 6:01 p.m., President Pisciotta announced that the Board would be going into Closed Session for the Item listed in 2.1.

3. Open Session Call to Order

3.1 Pledge of Allegiance and Moment of Silence

At 6:26 p.m., President Pisciotta called for the Pledge of Allegiance and a Moment of Silence to follow.

3.2 Roll Call

A. Directors Present: Directors Campbell, Harmon, and Pisciotta
B. Directors Absent: Directors Parker and Patterson
C. Fire District Staff: Chief Kovacs, Battalion Chiefs McNeil and Whittle and Administrative Secretary Walton

3.3 Report on Closed Session: Government Code §54957.1

President Pisciotta reported that no Action was taken for Item 2.1.

4. Public Comment (GC §54954.3)

None

5. Agenda Amendments (GC §54954.2) – Discussion/Action

None

6. Consent Calendar

6.1 Minutes: Approve Regular Board Meeting Minutes of July 8, 2020

6.2 Minutes: Approve Special Board Meeting Minutes of July 31, 2020

6.3 Payroll: Approve June Payroll 14, 15 and 16 in the amount of: $520,575.27

6.4 Expenditures: Approve Expenditures for July in the Amount of:

General Fund:	$1,374,661.81
Capital Outlay:	$ 19,144.45
SCHMIT:	$ 6,460.00
TOTAL:	$1,400,266.26

6.5 Approve the Memorandum of Understanding with the Administrative Secretary for July 1, 2020 through June 30, 2021

6.6 Approve the Memorandum of Understanding with the Secretary Receptionists for July 1, 2020 through June 30, 2021

On motion of Director Harmon seconded by Director Campbell *Approve Consent Calendar Items 6.1 through 6.6* was approved by the following vote:

AYES:	**Campbell, Harmon and Pisciotta**
NOES:	**None**
ABSENT:	**Parker and Patterson**
ABSTAIN:	**None**

7. Public Hearing/Action Item

Scheduled Public Hearing for the SVFPD Final Budget for Fiscal Year 2020/2021:

685010 General Fund:	$ 9,645,454
685030 Capital Outlay Zone A:	$ 1,445,106
685040 SCHMIT:	$ 407,714

Chief Kovacs stated that the Finance Committee has reviewed the Final Budget. Chief Kovacs presented the Final Budget and noted the following:

General Fund – 685010

- The beginning fund balance this fiscal year (FY) is $1,580,241.
- A 4% increase in property tax revenue is estimated as recommended by the County Auditor's Office.
- Revenue from Plan Check and Inspection Fees are estimated at $15,000, while the estimated expenditures for contract plan check and inspection services are $10,000.
- Revenue for Strike Team is budgeted at $250,000, and offset in the budget as an overtime expenditure. There is currently $290,000 in outstanding invoices for this FY.
- The total amount budgeted for CalPERS is $1,460,560, which represents a $224,837 increase over last FY.
- From the fund balance, $284,000 is budgeted to pre-fund the Other Post-Employment Benefits (OPEB) Account, an additional $150,000 is allocated to pay down the CalPERS Unfunded Accrued Lability (UAL) and Reserves are set at $1,110,179 to meet minimum requirements as per Policy.
- Health insurance is budgeted for an 8% increase effective January 1, 2021. Retiree health insurance is budgeted at $80,025, which is a decrease of $5,114 over last FY.
- The Workers Comp insurance is $353,000, which is an increase of $120,538 over last FY.
- The Contributions to Other Agencies is for the District's share of the LAFCO budget, which is $9,000.
- A $100,000 transfer to Capital Outlay and $50,000 for Contingencies has been budgeted.
- The General Fund Final Budget is balanced by using $470,062 from the Fund Balance, with $434,000 allocated to the OPEB and CalPERS UAL.

Capital Outlay/Zone A – 685030

- The beginning fund balance is $1,194,260.
- A 4% increase in property tax revenue is estimated as recommended by the County Auditor's Office.
- Revenue consists of Capital Outlay/Zone A tax collection in the amount of $130,846, a $100,000 transfer from the General Fund and $20,000 in interest.
- Besides Auditing and Accounting costs, $314,500 is budgeted for Facility upgrades and equipment.
- For General Reserves for future projects, $1,030,606 is budgeted and $100,000 for Contingencies.

SCHMIT – 685040

- The beginning fund balance is $119,132.
- The Service and Supplies budget is $79,900, which includes a $5,500 charge to manage the program.
- The budget includes $20,000 to reimburse response agencies in the event of an activation.
- The Differential cost for the response agencies is budgeted at $110,000.
- A grant has been awarded in the amount of $105,770 for an Atmospheric Monitoring System.
- Due to the Covid-19 Pandemic and revenue losses to SCHMIT stakeholders, there will not be an increase in revenue for the 2020/2021 FY.

7.1 Receive Public Comment and Adopt Resolution 2020-8: Resolution Adopting Final Budget for Fiscal Year 2020/2021, Discussion/Action

President Pisciotta opened the Public Hearing. With no Public comment presented, the Public Hearing was closed.

On motion of Director Campbell seconded by Director Harmon to *Adopt Resolution 2020-8: Resolution Adopting Final Budget for Fiscal Year 2020/2021* was approved by the following vote:

AYES:	**Campbell, Harmon and Pisciotta**
NOES:	**None**
ABSENT:	**Parker and Patterson**
ABSTAIN:	**None**

8. Action Item

8.1 Approve the following Revised SVFPD Policies:

Policy #	Subject	Policy #	Subject
504	Duty Chief Statement	1703	Battalion Chief Job Description
603	Acting Company Officers	1705	Fire Captain Job Description
1505	Career Development Guide	1706	Engineer Job Description
1505-1	Attachment	1708	Firefighter Job Description
1505-2	Attachment		

Chief Kovacs explained that the Career Development Guide and Policies have been changed based on operational needs. Currently the Firefighter and Engineer positions have three (3) steps each. With the change, there will be two (2) steps for the Firefighter Position and four (4) steps for the Engineer Position. The pay schedule position steps will be adjusted but no change to the rate of pay. The Meet and Confer process with Local 3577 has been completed and they agree to the changes.

On motion of Director Harmon seconded by Director Pisciotta to *Adopt the Above Listed Revised Policies* were approved by the following vote:

AYES:	**Campbell, Harmon and Pisciotta**
NOES:	**None**
ABSENT:	**Parker and Patterson**
ABSTAIN:	**None**

8.2 Consider Extending the Firefighter/Paramedic Eligibility List, per Policy 1501, Discussion/Action

Chief Kovacs stated that the Firefighter/Paramedic Eligibility List had eight (8) candidates. Two (2) have been hired and there are currently six (6) candidates on the list. The recommendation is to extend the list for six (6) months and by the time it expires, complete another testing process to establish a new list.

On motion of Director Campbell seconded by Director Pisciotta to *Approve Extending Firefighter/Paramedic Eligibility List for Six Months, per Policy 1501* was approved by the following vote:

AYES:	**Campbell, Harmon and Pisciotta**
NOES:	**None**
ABSENT:	**Parker and Patterson**
ABSTAIN:	**None**

Chief Kovacs explained that the SVFPD response to the Grand Jury reports require approval by the Governing Body. The Grand Jury Report titled: Ready? Aim? Fire! Santa Cruz County on the Hot Seat (SC County Report) findings are for the County of Santa Cruz and not specific to the SVFPD and that the Grand Jury did not consult the SVFPD before completing the SC County Report. Chief Kovacs stated that before completing the responses to the SC County Report, he consulted the County Fire Chief. This will be a continued effort to engage all Santa Cruz County Fire Agencies to address recommendations in the SC County Report.

8.3 SVFPD Response to the Findings and Recommendations Specified in the Grand Jury Report Titled: Ready? Aim? Fire! Santa Cruz County on the Hot Seat, Discussion/Action

On motion of Director Harmon seconded by Director Campbell to *Approve SVFPD Response to the Findings and Recommendations Specified in the Grand Jury Report Titled: Ready? Aim? Fire! Santa Cruz County on the Hot Seat* was approved by the following vote:

AYES:	**Campbell, Harmon and Pisciotta**
NOES:	**None**
ABSENT:	**Parker and Patterson**
ABSTAIN:	**None**

8.4 SVFPD Response to the Findings and Recommendations Specified in the Grand Jury Report Titled: Fire and Safety Inspections in Santa Cruz County, Discussion/Action

Chief Kovacs stated that the Grand Jury Report titled: Fire and Safety Inspections (Safety Inspections Report) was more specific to the SVFPD based on AB1205, which was passed a few years ago regarding mandatory fire safety inspections. Administrative Captain Vandervoort completed the response to the Safety Inspections Report and he has done a great job managing the mandatory inspections. Overall, the SVFPD came out very well in the Safety Inspections Report and for 2019, all mandatory safety inspections had been reported by Resolution as required. There were a few home daycares that we were not aware of, which have since been inspected and added to the mandatory inspection list so we are 100% in compliance.

On motion of Director Campbell seconded by Director Pisciotta to *Approve SVFPD Response to the Findings and Recommendations Specified in the Grand Jury Report Titled: Fire and Safety Inspections in Santa Cruz County* was approved by the following vote:

AYES:	**Campbell, Harmon and Pisciotta**
NOES:	**None**
ABSENT:	**Parker and Patterson**
ABSTAIN:	**None**

8.5 Post-Employment Healthcare Benefits for Local 3577 Represented Unit and Chief Officers, Discussion/Action

Chief Kovacs stated that based on negotiations, changes have been made to the post employment healthcare benefit. With changes to Other Post-Employment Benefits (OPEB), a Valuation is required and notice at a public meeting two weeks prior to adoption. Chief Kovacs reviewed the OPEB Valuation, which is based on all employees receiving the benefit and conservative investment returns; thus showing the most costly scenario. With the OPEB changes, available funds will be used to establish a prefunding Trust.

On motion of Director Harmon seconded by Director Campbell to *Approve Post-Employment Healthcare Benefits for Local 3577 Represented Unit and Chief Officers* was approved by the following vote:

AYES:	**Campbell, Harmon, Parker, Patterson and Pisciotta**
NOES:	**None**
ABSENT:	**Parker and Patterson**
ABSTAIN:	**None**

9. Board of Directors and Administrative Reports – Information/Discussion
(No action will be taken on any questions raised by the Board at this time.)

9.1 Board of Directors Report – *Directors*

Director Campbell reported that the Finance Committee met and reviewed the Final Budget, which was presented tonight. Director Campbell thanked Chief Kovacs for all the working on the final budget.

9.2 Administrative Report – *Chief Officers*

The Administrative Report for July was included in the board packet and Chief Kovacs added the following:

- A CalPERS audit has been completed with no findings thanks to Administrative Staff for making sure everything is done correctly
- CalPERS Valuation Reports have been received and will be included in the September Board Packet
- It appears that it will be a high fire season since we have already been on several strike team deployments
- The new Erba Station Generator location had to be moved so the installation is taking a bit longer
- With the current status of Covid 19, teleconference Board Meetings will likely continue until after the first of the year
- The Board Directors will need to come by the Administrative Office and sign the Board Meeting documents

The Board thanked Administrative Secretary Walton and Secretary Receptionist Bridges and Mayfield for all the administrative work that gets done.

10. Correspondence – Information

None

11. Request for Future Agenda Items

None

12. Closed Session: Government Code §54957.7

12.1 Public Employee Appointment / Public Employment (Government Code § 54957)
Title: Fire Chief

At 7:14 p.m., President Pisciotta announced that the Board would be going in to Closed Session for the Items listed in 12.1.

13. Open Session

13.1 Report on Closed Session: Government Code §54957.1

At 7:52 p.m., the Board reconvened to open session and President Pisciotta reported that the Board discussed moving forward with the Fire Chief replacement by way of an internal recruiting process.

14. Adjournment

The meeting was adjourned at 7:53 p.m.

ATTEST ______________________________
Daron Pisciotta
Board President

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Steve M. Kovacs
Board Secretary

SCOTTS VALLEY
FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383

MINUTES OF THE SCOTTS VALLEY FIRE PROTECTION DISTRICT BOARD OF DIRECTORS SPECIAL MEETING OF August 27, 2020

Notice of Teleconferenced Meeting

Pursuant to Governor Newsom's Executive Order N-25-20 regarding COVID-19, members of the Scotts Valley Fire Protection District Board of Directors and staff participated in this meeting by teleconference. To reduce the spread of COVID-19, members of the public were encouraged to listen to the meeting from their homes via teleconference by calling +1 408-638-0968, enter the meeting number when prompted (93266533087) and entering Access Code 993451 or connecting to the meeting online via their computer, smart phone or tablet at the following link: https://zoom.us/j/93266533087?pwd=c0h3KzV3TzhhaVh2bWlrL1JrV0E0QT09

1. Call to Order

The Special Meeting of the Board of Directors of the Scotts Valley Fire Protection District (SVFPD) was held on Thursday, August 27, 2020. President Pisciotta called the meeting to order at 5:05 p.m.

1.1 Roll Call

A.	Directors Present:	Directors Campbell, Harmon, Parker, Patterson and Pisciotta
B.	Directors Absent:	None
C.	Fire District Staff:	Chief Kovacs

2. Public Comment (GC §54954.3)

None

3. Closed Session: Government Code §54957.7

3.1 Public Employee Appointment / Public Employment (Government Code § 54957)
Title: Fire Chief

At 5:08 p.m., President Pisciotta announced that the Board would be going in to Closed Session for the purpose listed in Item 3.1.

4. Open Session

4.1 Report on Closed Session: Government Code §54957.1

At 5:39 p.m., the Board reconvened to open session and President Pisciotta reported that for Item 3.1, the Board discussed the Fire Chief Recruitment Process and made the following motion in Closed Session:

On motion of President Pisciotta seconded by Director Campbell to *Continue with an Internal Recruitment Process for the Position of Fire Chief* was approved by the following vote:

AYES:	**Campbell, Harmon, Parker, Patterson and Pisciotta**
NOES:	**None**
ABSENT:	**None**
ABSTAIN:	**None**

5. Adjournment

The meeting was adjourned at 5:40 p.m.

ATTEST ______________________
Daron Pisciotta
Board President

____
Steve M. Kovacs
Board Secretary

	Date Range from 07/24/2020 To 08/21/2020		
PAYROLL	**ACCT.#**	**PP**	**TOTALS**
Regular Pay	51000	17	$125,288.41
		18	$126,341.10
Overtime	51005	17	$63,171.65
		18	$61,587.08
Regular Pay, Extra Help (PCF)	51010	17	$1,742.00
		18	$0.00
Regular Pay, Sick Leave	51015	17	$0.00
		18	$0.00
Regular Callback Pay	51025	17	$33,254.91
		18	$19,237.44
Holiday Pay	51035	17	$0.00
		18	$0.00
Differential Pay	51040	17	$6,727.74
		18	$6,727.74
Regular Pay, Sick Leave Reserve	55020	17	$0.00
		18	$0.00
Misc Benefits, Vacation Payoff	55021	17	$1,798.07
		18	$1,798.07
Directors Fees	62327	17	$0.00
		18	$0.00
TOTAL PAYROLL			**$447,674.21**

CLAIMS BY GL OBJ

09/01/2020

Filter: (Claim Date is between 08/01/2020 and 08/31/2020)(Pre-Approved Excluded)

Claim Date	Vendor	Message	Amount
GL Key: 685010			
GL Obj: 53010 Group Health - Dental Insurance			
08/13/2020	FDAC EBA	Life & Vision Ins.- 9/2020	$1,120.40
08/24/2020	CALPERS RETIREMENT SYSTEM	Health Ins.- 9/2020	$46,796.50
08/24/2020	HEALTH CARE EMPLOYEES/EMPLOYER DENTAL TRUST	Dental Ins.- 9/2020	$5,006.41
08/26/2020	MIKE PHINN	Retiree Health Ins.- 9/2020	$426.51
08/26/2020	MICHAEL MCMURRY	Retiree Health Ins.- 9/2020	$1,583.36
08/26/2020	TIM THEILEN	Retiree Health Ins. - 9/2020	$674.35
08/26/2020	MIKE BIDDLE	Retiree Health Ins.- 9/2020	$983.29
08/26/2020	SAL LOFRANCO	Retiree Health Ins.- 9/2020	$542.70
		SubObject Total	$57,133.52
GL Obj: 61720 Maintenance - Mobile Equipment			
08/13/2020	NAPA AUTO PARTS	Oil Filters, Transmission Filter, Air Filters	$834.13
		SubObject Total	$834.13
GL Obj: 61725 Maintenance - Office Equipment			
08/13/2020	PAGODA TECHNOLOGIES INC.	Computer Management- 8/2020	$1,192.12
		SubObject Total	$1,192.12
GL Obj: 61730 Maintenance - Other Equipment			
08/13/2020	SANTA CRUZ FIRE EQUIPMENT	Exting Recharge	$161.46
08/13/2020	SANTA CRUZ FIRE EQUIPMENT	Exting Recharge	$41.91
08/13/2020	BAUER COMPRESSOR	Compresser Service	$235.00
		SubObject Total	$438.37
GL Obj: 61845 Maintenance - Buildings & Grounds			
08/05/2020	GREG BELLOWS PLUMBING INC	VF1 Annual HVAC Maintenance	$830.00
08/05/2020	GREG BELLOWS PLUMBING INC	VF2 Annual HVAC Maintenance	$277.00
08/13/2020	WESTERN EXTERMINATOR COMPANY	VF2 Bug Service- 7/2020	$57.50
08/13/2020	WESTERN EXTERMINATOR COMPANY	VF1 Bug Service- 7/2020	$57.50
		SubObject Total	$1,222.00
GL Obj: 61920 Medical Supplies			
08/13/2020	ANALGESIC SERVICES, INC.	O2 Cylinder Refill	$67.50
		SubObject Total	$67.50
GL Obj: 62219 PC Software			
08/13/2020	CREWSENSE LLC	Crewsense 8/3-11/2/2020	$754.74
		SubObject Total	$754.74
GL Obj: 62301 Accounting & Auditing Fees			
08/24/2020	TOTAL COMPENSATION SYSTEMS INC.	GASB 75 Valuation Services- Design Change Pricing	$1,000.00
		SubObject Total	$1,000.00

Claim Date	Vendor	Message		Amount
GL Obj: 62888	**District Special Expense**			
08/13/2020	ROBOTRONICS	Pub Ed Supplies - Coloring Books		$260.00
08/13/2020	ROBOTRONICS	Pub Ed Supplies- Shipping		$45.00
			SubObject Total	$305.00
GL Obj: 62920	**Gas, Oil & Fuel**			
08/13/2020	WESTERN STATE OIL COMPANY	Diesel/Fuel		$2,031.67
			SubObject Total	$2,031.67
GL Obj: 63070	**Utilities**			
08/13/2020	CITY OF SCOTTS VALLEY	VF2 Sewer- 5/16-7/15/2020		$134.65
08/13/2020	PG&E	VF2 Gas 7/7-8/4/2020		$60.27
08/13/2020	PG&E	VF1 Electric 7/6-8/3/2020		$969.36
08/13/2020	PG&E	VF1 Gas 7/7-8/4/2020		$53.85
08/13/2020	CITY OF SCOTTS VALLEY	VF1 Sewer- 5/16-7/15/2020		$178.54
08/13/2020	PG&E	VF2 Electric 7/6-8/3/2020		$567.56
			SubObject Total	$1,964.23
			Index Total	$66,943.28

CLAIMS BY GL OBJ

09/01/2020

Filter: (Claim Date is between 08/01/2020 and 08/31/2020)(Pre-Approved Excluded)

Claim Date	Vendor	Message	Amount
GL Key: 685040			
GL Obj: 62219 PC Software			
08/05/2020	RIGHTANSWER.COM, INC.	TOMES Software 11/15/20-11/14/2021	$1,661.94
		SubObject Total	$1,661.94
GL Obj: 62914 Education & Training			
08/05/2020	RW JONES AND ASSOCIATES HEALTH & SAFETY TRAINING CONSULTANTS LLC	Hazmat Refresher 7/22/2020	$4,042.00
		SubObject Total	$4,042.00
		Index Total	$5,703.94
		Grand Total	$72,647.22

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

July 2020

Miscellaneous Plan of the Scotts Valley Fire Protection District
(CalPERS ID: 4027652040)
Annual Valuation Report as of June 30, 2019

Dear Employer,

Attached to this letter, you will find the June 30, 2019 actuarial valuation report of your CalPERS pension plan. **Provided in this report is the determination of the minimum required employer contributions for fiscal year 2021-22**. In addition, the report contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

Because this plan is in a risk pool, the following valuation report has been separated into two sections:

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2019.

Section 2 can be found on the CalPERS website (www.calpers.ca.gov). From the home page, go to *"Forms & Publications"* and select *"View All"*. In the search box, enter *"Risk Pool"* and from the results list download the Miscellaneous or Safety Risk Pool Actuarial Valuation Report as appropriate.

Your June 30, 2019 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your assigned CalPERS staff actuary, whose signature appears in the Actuarial Certification section on page 1, is available to discuss the report with you after August 1, 2020.

Actuarial valuations are based on assumptions regarding future plan experience including investment return and payroll growth, eligibility for the types of benefits provided, and longevity among retirees. The CalPERS Board of Administration adopts these assumptions after considering the advice of CalPERS actuarial and investment teams and other professionals. Each actuarial valuation reflects all prior differences between actual and assumed experience and adjusts the contribution rates as needed. This valuation is based on an investment return assumption of 7.0% which was adopted by the board in December 2016. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017.

Required Contribution

The exhibit below displays the minimum employer contributions, before any cost sharing, for fiscal year 2021-22 along with estimates of the required contributions for fiscal year 2022-23. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The employer contributions in this report do not reflect any cost sharing arrangements you may have with your employees**.

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability
2021-22	10.88%	$24,061
Projected Results		
2022-23	*10.9%*	*$24,000*

The actual investment return for fiscal year 2019-20 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.00%. ***To the extent the actual investment return for fiscal year 2019-20 differs from 7.00%, the actual contribution requirements for fiscal year 2022-23 will differ from those shown above.*** For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section. This section also contains projected required contributions through fiscal year 2026-27.

Changes from Previous Year's Valuation

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on Unfunded Accrued Liability (UAL) bases attributable to assumption and method changes and non-investment gains/losses. The new policy does not utilize a 5-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A, "Actuarial Methods and Assumptions." The effects of the changes on the required contributions are included in the "Reconciliation of Required Employer Contributions" section.

Questions

We understand that you might have some questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after August 1, 2020 to contact us with actuarial questions. If you have other questions, you may call the Customer Contact Center at (888)-CalPERS or (**888-225-7377**).

Sincerely,

SCOTT TERANDO
Chief Actuary

Actuarial Valuation
as of June 30, 2019

for the
Miscellaneous Plan
of the
Scotts Valley Fire Protection District

(CalPERS ID: 4027652040)

Required Contributions
for Fiscal Year
July 1, 2021 - June 30, 2022

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Section 1

Plan Specific Information for the Miscellaneous Plan of the Scotts Valley Fire Protection District

(CalPERS ID: 4027652040)
(Valuation Rate Plan ID: 903)

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Actuarial Certification

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2019 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2019 provided by employers participating in the Miscellaneous Risk Pool to which the plan belongs and benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the risk pool containing your Miscellaneous Plan has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool as of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my opinion as the plan actuary that the Unfunded Accrued Liability amortization bases as of June 30, 2019 and employer contribution as of July 1, 2021 have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS, a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

DAVID CLEMENT, ASA, MAAA, EA
Senior Pension Actuary, CalPERS

Highlights and Executive Summary

- **Introduction**
- **Purpose of Section 1**
- **Required Employer Contributions**
- **Additional Discretionary Employer Contributions**
- **Plan's Funded Status**
- **Projected Employer Contributions**
- **Cost**
- **Changes Since the Prior Year's Valuation**
- **Subsequent Events**

Introduction

This report presents the results of the June 30, 2019 actuarial valuation of the Miscellaneous Plan of the Scotts Valley Fire Protection District of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the required employer contributions for fiscal year 2021-22.

Purpose of Section 1

This Section 1 report for the Miscellaneous Plan of the Scotts Valley Fire Protection District of CalPERS was prepared by the plan actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2019;
- Determine the minimum required employer contribution for this plan for the fiscal year July 1, 2021 through June 30, 2022; and
- Provide actuarial information as of June 30, 2019 to the CalPERS Board of Administration and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to GASB Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available from CalPERS and details for ordering are available on our website.

The measurements shown in this actuarial valuation may not be applicable for other purposes. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; and changes in plan provisions or applicable law.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the recommendations of Actuarial Standards of Practice No. 51 and recommended by the California Actuarial Advisory Panel (CAAP) in the Model Disclosure Elements document:

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 6.0% and 8.0%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2017.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.

Required Employer Contributions

Required Employer Contributions	**Fiscal Year 2021-22**
Employer Normal Cost Rate	**10.88%**
Plus, Either	
1) Monthly Employer Dollar UAL Payment	**$2,005.08**
Or	
2) Annual UAL Prepayment Option*	**$23,261**

*The total minimum required employer contribution is the **sum** of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) **plus** the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

** Only the UAL portion of the employer contribution can be prepaid **(which must be received in full no later than July 31)**. Any prepayment totaling over $5 million requires a 72-hour notice email to FCSD_public_agency_wires@calpers.ca.gov. Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

In accordance with Sections 20537 and 20572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.

	Fiscal Year 2020-21	**Fiscal Year 2021-22**
Development of Normal Cost as a Percentage of Payroll[1]		
Base Total Normal Cost for Formula	17.392%	17.25%
Surcharge for Class 1 Benefits[2]		
a) FAC 1	0.547%	0.54%
Phase out of Normal Cost Difference[3]	0.000%	0.00%
Plan's Total Normal Cost	17.939%	17.79%
Formula's Expected Employee Contribution Rate	6.908%	6.91%
Employer Normal Cost Rate	11.031%	10.88%
Projected Payroll for the Contribution Fiscal Year	$106,165	$111,982
Estimated Employer Contributions Based on Projected Payroll		
Plan's Estimated Employer Normal Cost	$11,711	$12,184
Plan's Payment on Amortization Bases[4]	19,557	24,061
% of Projected Payroll (illustrative only)	18.421%	21.49%
Estimated Total Employer Contribution	$31,268	$36,245
% of Projected Payroll (illustrative only)	29.452%	32.37%

1 The results shown for fiscal year 2020-21 reflect the prior year valuation and may not take into account any lump sum payment, side fund payoff, or rate adjustment made after April 30, 2019.

2 Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

3 The normal cost difference is phased out over a five-year period. The phase out of normal cost difference is 100% for the first year of pooling and is incrementally reduced by 20% of the original normal cost difference for each subsequent year. This is non-zero only for plans that joined a pool within the past 5 years. Most plans joined a pool June 30, 2003, when risk pooling was implemented.

4 See Schedule of Plan's Amortization Bases.

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for the 2021-22 fiscal year is $24,061. CalPERS allows employers to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Employers can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

Provided below are select ADP options for consideration. Making such an ADP during fiscal year 2021-22 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see the "Amortization Schedule and Alternatives" section of the report.

If you are considering making an ADP, please contact your actuary for additional information.

Minimum Required Employer Contribution for Fiscal Year 2021-22

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
$12,184	$24,061	$0	$24,061	$36,245

Alternative Fiscal Year 2021-22 Employer Contributions for Greater UAL Reduction

Funding Target	Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
10 years	$12,184	$24,061	$4,570	$28,631	$40,815
5 years	$12,184	$24,061	$24,983	$49,044	$61,228

[1] The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

Note that the calculations above are based on the projected Unfunded Accrued Liability as of June 30, 2021 as determined in the June 30, 2019 actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Plan's Funded Status

	June 30, 2018	June 30, 2019
1. Present Value of Projected Benefits (PVB)	$979,660	$1,035,885
2. Entry Age Normal Accrued Liability (AL)	834,584	886,830
3. Plan's Market Value of Assets (MVA)	629,773	672,279
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	204,811	214,551
5. Funded Ratio [(3) / (2)]	75.5%	75.8%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. As of the preparation date of this report, the year to date return for the 2019-20 fiscal year was well below the 7% assumed return. Actual contribution rates during this projection period could be significantly higher than the projection shown below.

	Required Contribution	**Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)**				
Fiscal Year	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**
Normal Cost %	10.88%	10.9%	10.9%	10.9%	10.9%	10.9%
UAL Payment	$24,061	$24,000	$24,000	$24,000	$24,000	$24,000

For some sources of UAL, the change in UAL is amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large increase in UAL, the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

For projected contributions under alternate investment return scenarios, please see the "Future Investment Return Scenarios" in the "Risk Analysis" section.

Cost

Actuarial Determination of Pension Plan Cost

Contributions to fund the pension plan are comprised of two components:

- The Normal Cost, expressed as a percentage of total active payroll
- The Amortization of the Unfunded Accrued Liability (UAL), expressed as a dollar amount

For fiscal years prior to FY 2016-17, the Amortization of UAL component was expressed as a percentage of total active payroll. Starting with FY 2016-17, the Amortization of UAL component was expressed as a dollar amount and invoiced on a monthly basis. There continues to be an option to prepay this amount during July of each fiscal year.

The Normal Cost component will continue to be expressed as a percentage of active payroll with employer and employee contributions payable as part of the regular payroll reporting process.

The determination of both components requires complex actuarial calculations. The calculations are based on a set of actuarial assumptions which can be divided into two categories:

- Demographic assumptions (e.g., mortality rates, retirement rates, employment termination rates, disability rates)
- Economic assumptions (e.g., future investment earnings, inflation, salary growth rates)

These assumptions reflect CalPERS' best estimate of future experience of the plan and are long term in nature. We recognize that all assumptions will not be realized in any given year. For example, the investment earnings at CalPERS have averaged 5.8% over the 20 years ending June 30, 2019, yet individual fiscal year returns have ranged from -23.6% to +20.7%. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2017.

Changes Since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" and Appendix B for a summary of the plan provisions used in this valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on the employer contribution is shown in the "Reconciliation of Required Employer Contributions." It should be noted that no change in liability or contribution is shown for any plan changes which were already included in the prior year's valuation.

Actuarial Methods and Assumptions

The CalPERS Board of Administration adopted a new amortization policy effective with this actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on UAL bases attributable to assumption and method changes and non-investment gains/losses. The new policy also does not utilize a 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers, the new amortization policy imposes a maximum amortization period of 15 years for all unfunded accrued liabilities effective June 30, 2017. Furthermore, the plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2019. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase future required contributions while investment returns above the assumed rate of return will decrease future required contributions.

The projected employer contributions on Page 6 are calculated under the assumption that the discount rate remains at 7.0% going forward and that the realized rate of return on assets for fiscal year 2019-20 is 7.0%.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2020. Any subsequent changes or actions are not reflected.

Assets and Liabilities

- **Breakdown of Entry Age Normal Accrued Liability**
- **Allocation of Plan's Share of Pool's Experience/Assumption Change**
- **Development of Plan's Share of Pool's Market Value of Assets**
- **Schedule of Plan's Amortization Bases**
- **Amortization Schedule and Alternatives**
- **Employer Contribution History**
- **Funding History**

Breakdown of Entry Age Normal Accrued Liability

Active Members	$443,891
Transferred Members	0
Terminated Members	57,290
Members and Beneficiaries Receiving Payments	385,649
Total	$886,830

Allocation of Plan's Share of Pool's Experience/Assumption Change

It is the policy of CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes in a manner that treats each employer equitably and maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. The Pool's experience gains/losses and impact of assumption/method changes is allocated to the plan as follows:

1.	Plan's Accrued Liability	$886,830
2.	Projected UAL balance at 6/30/2019	207,826
3.	Pool's Accrued Liability[1]	18,394,114,919
4.	Sum of Pool's Individual Plan UAL Balances at 6/30/2019[1]	4,268,374,183
5.	Pool's 2018/19 Investment (Gain)/Loss[1]	68,711,010
6.	Pool's 2018/19 Non-Investment (Gain)/Loss[1]	70,985,020
7.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (2)] ÷ [(3) - (4)] × (5)	3,303
8.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (3) × (6)	3,422
9.	Plan's New (Gain)/Loss as of 6/30/2019: (7) + (8)	6,725
10.	Other Changes in the UAL[2]	0

[1] Does not include plans that transferred to Pool on the valuation date.

[2] May include Golden Handshakes, Service Purchases, etc. See Schedule of Plan's Amortization Bases for details.

Development of the Plan's Share of Pool's Market Value of Assets

11.	Plan's UAL: (2) + (9) + (10)	$214,551
12.	Plan's Share of Pool's MVA: (1) - (11)	$672,279

Schedule of Plan's Amortization Bases

Note that there is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2019.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: fiscal year 2021-22.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment on the UAL for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution for the first fiscal year is determined by the actuarial valuation two years ago and the contribution for the second year is from the actuarial valuation one year ago. Additional discretionary payments are reflected in the Expected Payments column in the fiscal year they were made by the agency.

Reason for Base	Date Est.	Ramp Level 2021-22	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/19	Expected Payment 2019-20	Balance 6/30/20	Expected Payment 2020-21	Balance 6/30/21	Minimum Required Payment 2021-22
Fresh Start	6/30/19	No Ramp		0.00%	13	214,551	15,719	213,310	19,557	208,011	24,061
Total						**214,551**	**15,719**	**213,310**	**19,557**	**208,011**	**24,061**

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in "Allocation of Plan's Share of Pool's Experience/Assumption Change" earlier in this section. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

Amortization Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to the CalPERS amortization policy. Many agencies have expressed interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule.

The Current Amortization Schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single "fresh start" base and amortizing it over a reasonable period.

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy.

Amortization Schedule and Alternatives

	Current Amortization Schedule		Alternate Schedules: 10 Year Amortization		Alternate Schedules: 5 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2021	208,012	24,061	208,012	28,631	208,012	49,045
6/30/2022	197,684	24,061	192,957	28,631	171,840	49,044
6/30/2023	186,633	24,061	176,848	28,631	133,137	49,045
6/30/2024	174,808	24,061	159,611	28,631	91,724	49,044
6/30/2025	162,156	24,061	141,168	28,631	47,413	49,044
6/30/2026	148,618	24,061	121,434	28,631		
6/30/2027	134,132	24,061	100,318	28,632		
6/30/2028	118,632	24,061	77,723	28,631		
6/30/2029	102,047	24,060	53,547	28,631		
6/30/2030	84,302	24,060	27,679	28,631		
6/30/2031	65,315	24,061				
6/30/2032	44,998	24,060				
6/30/2033	23,260	24,060				
6/30/2034						
6/30/2035						
6/30/2036						
6/30/2037						
6/30/2038						
6/30/2039						
6/30/2040						
6/30/2041						
6/30/2042						
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6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
6/30/2050						
Total		**312,789**		**286,311**		**245,222**
Interest Paid		**104,777**		**78,299**		**37,210**
Estimated Savings				**26,478**		**67,567**

Employer Contribution History

The table below provides a recent history of the required employer contributions for the plan, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made during a fiscal year.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)
2016 - 17	8.880%	$8,629
2017 - 18	8.921%	10,186
2018 - 19	9.409%	12,435
2019 - 20	10.221%	16,476
2020 - 21	11.031%	19,557
2021 - 22	10.88%	24,061

Funding History

The funding history below shows the plan's actuarial accrued liability, share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio, and annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2011	$509,811	$400,210	$109,601	78.5%	$109,164
06/30/2012	536,773	399,282	137,491	74.4%	104,664
06/30/2013	576,213	453,796	122,417	78.8%	113,226
06/30/2014	605,694	495,736	109,958	81.9%	104,818
06/30/2015	635,438	499,065	136,373	78.5%	91,548
06/30/2016	673,254	493,089	180,165	73.2%	93,102
06/30/2017	739,373	562,619	176,754	76.1%	98,248
06/30/2018	834,584	629,773	204,811	75.5%	97,867
06/30/2019	886,830	672,279	214,551	75.8%	103,229

Risk Analysis

- **Future Investment Return Scenarios**
- **Discount Rate Sensitivity**
- **Mortality Rate Sensitivity**
- **Maturity Measures**
- **Maturity Measures History**
- **Hypothetical Termination Liability**

Future Investment Return Scenarios

Analysis was performed to determine the effects of various future investment returns on required employer contributions. The projections below provide a range of results based on five investment return scenarios assumed to occur during the next four fiscal years (2019-20, 2020-21, 2021-22 and 2022-23). The projections also assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

For fiscal years 2019-20, 2020-21, 2021-22, and 2022-23, each scenario assumes an alternate fixed annual return. The fixed return assumptions for the five scenarios are 1.0%, 4.0%, 7.0%, 9.0% and 12.0%.

These alternate investment returns were chosen based on stochastic analysis of possible future investment returns over the four-year period ending June 30, 2023. Using the expected returns and volatility of the asset classes in which the funds are invested, we produced five thousand stochastic outcomes for this period based on the most recently completed Asset Liability Management process. We then selected annual returns that approximate the 5th, 25th, 50th, 75th, and 95th percentiles for these outcomes. For example, of all the 4-year outcomes generated in the stochastic analysis, approximately 25% had an average annual return of 4.0% or less.

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 1.0% or greater than 12.0% over this four-year period, the likelihood of a single investment return less than 1.0% or greater than 12.0% in any given year is much greater.

Assumed Annual Return From 2019-20 through 2022-23	Projected Employer Contributions			
	2022-23	2023-24	2024-25	2025-26
1.0%				
Normal Cost	10.9%	10.9%	10.9%	10.9%
UAL Contribution	$25,000	$27,000	$30,000	$34,000
4.0%				
Normal Cost	10.9%	10.9%	10.9%	10.9%
UAL Contribution	$25,000	$26,000	$27,000	$29,000
7.0%				
Normal Cost	10.9%	10.9%	10.9%	10.9%
UAL Contribution	$24,000	$24,000	$24,000	$24,000
9.0%				
Normal Cost	11.1%	11.3%	11.5%	11.8%
UAL Contribution	$24,000	$23,000	$23,000	$22,000
12.0%				
Normal Cost	11.1%	11.3%	11.5%	11.8%
UAL Contribution	$23,000	$22,000	$19,000	$0

These projections reflect the impact of the CalPERS risk mitigation policy, which reduces the discount rate when investment returns exceed specified trigger points.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.50% and 2.50%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2019 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 7.0% as well as alternate discount rates of 6.0% and 8.0%. The rates of 6.0% and 8.0% were selected since they illustrate the impact of a 1.0% increase or decrease to the 7.0% assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2019	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**6.0%**	**7.0%**	**8.0%**
Inflation	2.5%	2.5%	2.5%
Real Rate of Return	**3.5%**	**4.5%**	**5.5%**
a) Total Normal Cost	22.17%	17.79%	14.43%
b) Accrued Liability	$1,024,626	$886,830	$774,499
c) Market Value of Assets	$672,279	$672,279	$672,279
d) Unfunded Liability/(Surplus) [(b) - (c)]	$352,347	$214,551	$102,220
e) Funded Status	65.6%	75.8%	86.8%

Sensitivity to the Price Inflation Assumption

As of June 30, 2019	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	**6.0%**	**7.0%**	**8.0%**
Inflation	**1.5%**	**2.5%**	**3.5%**
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	18.97%	17.79%	16.38%
b) Accrued Liability	$933,710	$886,830	$823,504
c) Market Value of Assets	$672,279	$672,279	$672,279
d) Unfunded Liability/(Surplus) [(b) - (c)]	$261,431	$214,551	$151,225
e) Funded Status	72.0%	75.8%	81.6%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2019 plan costs and funded ratio under two different longevity scenarios, namely assuming post-retirement rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2017. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

As of June 30, 2019	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	18.10%	17.79%	17.50%
b) Accrued Liability	$903,277	$886,830	$871,612
c) Market Value of Assets	$672,279	$672,279	$672,279
d) Unfunded Liability/(Surplus) [(b) - (c)]	$230,998	$214,551	$199,333
e) Funded Status	74.4%	75.8%	77.1%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan to tolerate risk is important in understanding how the plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio starts increasing. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	**June 30, 2018**	**June 30, 2019**
1. Retired Accrued Liability	384,948	385,649
2. Total Accrued Liability	834,584	886,830
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.46	0.44

Another measure of maturity level of CalPERS and its plans is to look at the ratio of actives to retirees, also called the Support Ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures, and members retire, the ratio starts declining. A mature plan will often have a ratio near or below one. The average support ratio for CalPERS public agency plans is 1.25.

Support Ratio	**June 30, 2018**	**June 30, 2019**
1. Number of Actives	2	2
2. Number of Retirees	1	1
3. Support Ratio [(1) / (2)]	2.00	2.00

Maturity Measures (Continued)

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio (AVR)

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of market value of assets to payroll. Plans that have higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an asset-to-payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an asset-to-payroll ratio of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio (LVR)

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to investment return and changes in liability. For example, a plan with LVR ratio of 8 is expected to have twice the contribution volatility of a plan with LVR of 4. It should be noted that this ratio indicates a longer-term potential for contribution volatility. The AVR, described above, will tend to move closer to the LVR as a plan matures.

Contribution Volatility	**June 30, 2018**	**June 30, 2019**
1. Market Value of Assets	$629,773	$672,279
2. Payroll	97,867	103,229
3. Asset Volatility Ratio (AVR) [(1) / (2)]	6.4	6.5
4. Accrued Liability	$834,584	$886,830
5. Liability Volatility Ratio (LVR) [(4) / (2)]	8.5	8.6

Maturity Measures History

Valuation Date	**Ratio of Retiree Accrued Liability to Total Accrued Liability**	**Support Ratio**	**Asset Volatility Ratio**	**Liability Volatility Ratio**
06/30/2017	0.50	2.00	5.7	7.5
06/30/2018	0.46	2.00	6.4	8.5
06/30/2019	0.44	2.00	6.5	8.6

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2019. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 19-month period from 12 months before the valuation date to 7 months after.

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability[1,2] @ 3.25%	Funded Status	Unfunded Termination Liability @ 3.25%
$672,279	$1,719,390	39.1%	$1,047,111	$1,323,050	50.8%	$650,771

[1] The hypothetical liabilities calculated above include a 5% mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A of the Section 2 report.

[2] The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.31% on June 30, 2019, and was 1.83% on January 31, 2020.

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

Participant Data

The table below shows a summary of your plan's member data upon which this valuation is based:

	June 30, 2018	June 30, 2019
Reported Payroll	$97,867	$103,229
Projected Payroll for Contribution Purposes	$106,165	$111,982
Number of Members		
Active	2	2
Transferred	0	0
Separated	1	1
Retired	1	1

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)

Plan's Major Benefit Options

Shown below is a summary of the major <u>optional</u> benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

	Benefit Group	
Member Category	Misc	
Demographics		
Actives	Yes	
Transfers/Separated	Yes	
Receiving	Yes	
Benefit Provision		
Benefit Formula	2% @ 55	
Social Security Coverage	No	
Full/Modified	Full	
Employee Contribution Rate	7.00%	
Final Average Compensation Period	One Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	Indexed	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$500	
Survivor Allowance (PRSA)	No	
COLA	2%	

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

Section 2 may be found on the CalPERS website (www.calpers.ca.gov) in the Forms and Publications section

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 |Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

July 2020

Safety Plan of the Scotts Valley Fire Protection District
(CalPERS ID: 4027652040)
Annual Valuation Report as of June 30, 2019

Dear Employer,

Attached to this letter, you will find the June 30, 2019 actuarial valuation report of your CalPERS pension plan. **Provided in this report is the determination of the minimum required employer contributions for fiscal year 2021-22**. In addition, the report contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

Because this plan is in a risk pool, the following valuation report has been separated into two sections:

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2019.

Section 2 can be found on the CalPERS website (www.calpers.ca.gov). From the home page, go to *"Forms & Publications"* and select *"View All"*. In the search box, enter *"Risk Pool"* and from the results list download the Miscellaneous or Safety Risk Pool Actuarial Valuation Report as appropriate.

Your June 30, 2019 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your assigned CalPERS staff actuary, whose signature appears in the Actuarial Certification section on page 1, is available to discuss the report with you after August 1, 2020.

Actuarial valuations are based on assumptions regarding future plan experience including investment return and payroll growth, eligibility for the types of benefits provided, and longevity among retirees. The CalPERS Board of Administration adopts these assumptions after considering the advice of CalPERS actuarial and investment teams and other professionals. Each actuarial valuation reflects all prior differences between actual and assumed experience and adjusts the contribution rates as needed. This valuation is based on an investment return assumption of 7.0% which was adopted by the board in December 2016. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017.

Required Contribution

The exhibit below displays the minimum employer contributions, before any cost sharing, for fiscal year 2021-22 along with estimates of the required contributions for fiscal year 2022-23. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The employer contributions in this report do not reflect any cost sharing arrangements you may have with your employees**.

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability
2021-22	21.79%	$906,603
Projected Results		
2022-23	*21.8%*	*$1,011,000*

The actual investment return for fiscal year 2019-20 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.00%. ***To the extent the actual investment return for fiscal year 2019-20 differs from 7.00%, the actual contribution requirements for fiscal year 2022-23 will differ from those shown above.*** For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section. This section also contains projected required contributions through fiscal year 2026-27.

Changes from Previous Year's Valuation

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on Unfunded Accrued Liability (UAL) bases attributable to assumption and method changes and non-investment gains/losses. The new policy does not utilize a 5-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A, "Actuarial Methods and Assumptions." The effects of the changes on the required contributions are included in the "Reconciliation of Required Employer Contributions" section.

Questions

We understand that you might have some questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after August 1, 2020 to contact us with actuarial questions. If you have other questions, you may call the Customer Contact Center at (888)-CalPERS or (**888-225-7377**).

Sincerely,

SCOTT TERANDO
Chief Actuary

Actuarial Valuation
as of June 30, 2019

for the
Safety Plan
of the
Scotts Valley Fire Protection District

(CalPERS ID: 4027652040)

Required Contributions
for Fiscal Year
July 1, 2021 - June 30, 2022

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Section 1

Plan Specific Information for the Safety Plan of the Scotts Valley Fire Protection District

(CalPERS ID: 4027652040)
(Valuation Rate Plan ID: 904)

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Actuarial Certification

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2019 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2019 provided by employers participating in the Safety Risk Pool to which the plan belongs and benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the risk pool containing your Safety Plan has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool as of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my opinion as the plan actuary that the Unfunded Accrued Liability amortization bases as of June 30, 2019 and employer contribution as of July 1, 2021 have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS, a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

DAVID CLEMENT, ASA, MAAA, EA
Senior Pension Actuary, CalPERS

Highlights and Executive Summary

- **Introduction**
- **Purpose of Section 1**
- **Required Employer Contributions**
- **Additional Discretionary Employer Contributions**
- **Plan's Funded Status**
- **Projected Employer Contributions**
- **Cost**
- **Changes Since the Prior Year's Valuation**
- **Subsequent Events**

Introduction

This report presents the results of the June 30, 2019 actuarial valuation of the Safety Plan of the Scotts Valley Fire Protection District of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the required employer contributions for fiscal year 2021-22.

Purpose of Section 1

This Section 1 report for the Safety Plan of the Scotts Valley Fire Protection District of CalPERS was prepared by the plan actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2019;
- Determine the minimum required employer contribution for this plan for the fiscal year July 1, 2021 through June 30, 2022; and
- Provide actuarial information as of June 30, 2019 to the CalPERS Board of Administration and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to GASB Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available from CalPERS and details for ordering are available on our website.

The measurements shown in this actuarial valuation may not be applicable for other purposes. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; and changes in plan provisions or applicable law.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the recommendations of Actuarial Standards of Practice No. 51 and recommended by the California Actuarial Advisory Panel (CAAP) in the Model Disclosure Elements document:

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 6.0% and 8.0%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2017.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.

Required Employer Contributions

Required Employer Contributions	Fiscal Year 2021-22
Employer Normal Cost Rate	**21.79%**
Plus, Either	
1) Monthly Employer Dollar UAL Payment	**$75,550.25**
Or	
2) Annual UAL Prepayment Option*	**$876,446**

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

** Only the UAL portion of the employer contribution can be prepaid* ***(which must be received in full no later than July 31)****. Any prepayment totaling over $5 million requires a 72-hour notice email to FCSD_public_agency_wires@calpers.ca.gov. Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

In accordance with Sections 20537 and 20572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.

	Fiscal Year 2020-21	Fiscal Year 2021-22
Development of Normal Cost as a Percentage of Payroll[1]		
Base Total Normal Cost for Formula	29.572%	29.63%
Surcharge for Class 1 Benefits[2]		
a) FAC 1	1.161%	1.15%
Phase out of Normal Cost Difference[3]	0.000%	0.00%
Plan's Total Normal Cost	30.733%	30.78%
Formula's Expected Employee Contribution Rate	8.987%	8.99%
Employer Normal Cost Rate	21.746%	21.79%
Projected Payroll for the Contribution Fiscal Year	$2,458,565	$2,120,679
Estimated Employer Contributions Based on Projected Payroll		
Plan's Estimated Employer Normal Cost	$534,640	$462,096
Plan's Payment on Amortization Bases[4]	761,892	906,603
% of Projected Payroll (illustrative only)	30.989%	42.75%
Estimated Total Employer Contribution	$1,296,532	$1,368,699
% of Projected Payroll (illustrative only)	52.735%	64.54%

[1] The results shown for fiscal year 2020-21 reflect the prior year valuation and may not take into account any lump sum payment, side fund payoff, or rate adjustment made after April 30, 2019.

[2] Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

[3] The normal cost difference is phased out over a five-year period. The phase out of normal cost difference is 100% for the first year of pooling and is incrementally reduced by 20% of the original normal cost difference for each subsequent year. This is non-zero only for plans that joined a pool within the past 5 years. Most plans joined a pool June 30, 2003, when risk pooling was implemented.

[4] See Schedule of Plan's Amortization Bases.

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for the 2021-22 fiscal year is $906,603. CalPERS allows employers to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Employers can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

Provided below are select ADP options for consideration. Making such an ADP during fiscal year 2021-22 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see the "Amortization Schedule and Alternatives" section of the report.

If you are considering making an ADP, please contact your actuary for additional information.

Minimum Required Employer Contribution for Fiscal Year 2021-22

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
$462,096	$906,603	$0	$906,603	$1,368,699

Alternative Fiscal Year 2021-22 Employer Contributions for Greater UAL Reduction

Funding Target	Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
20 years	$462,096	$906,603	$229,331	$1,135,934	$1,598,030
15 years	$462,096	$906,603	$414,677	$1,321,280	$1,783,376
10 years	$462,096	$906,603	$806,782	$1,713,385	$2,175,481
5 years	$462,096	$906,603	$2,028,403	$2,935,006	$3,397,102

[1] The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

Note that the calculations above are based on the projected Unfunded Accrued Liability as of June 30, 2021 as determined in the June 30, 2019 actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Plan's Funded Status

	June 30, 2018	June 30, 2019
1. Present Value of Projected Benefits (PVB)	$46,564,477	$49,202,691
2. Entry Age Normal Accrued Liability (AL)	42,761,498	45,731,110
3. Plan's Market Value of Assets (MVA)	31,278,777	33,562,959
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	11,482,721	12,168,151
5. Funded Ratio [(3) / (2)]	73.1%	73.4%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. As of the preparation date of this report, the year to date return for the 2019-20 fiscal year was well below the 7% assumed return. Actual contribution rates during this projection period could be significantly higher than the projection shown below.

	Required Contribution	**Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)**				
Fiscal Year	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**
Normal Cost %	21.79%	21.8%	21.8%	21.8%	21.8%	21.8%
UAL Payment	$906,603	$1,011,000	$1,076,000	$1,142,000	$1,176,000	$1,208,000

For some sources of UAL, the change in UAL is amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large increase in UAL, the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

For projected contributions under alternate investment return scenarios, please see the "Future Investment Return Scenarios" in the "Risk Analysis" section.

Cost

Actuarial Determination of Pension Plan Cost

Contributions to fund the pension plan are comprised of two components:

- The Normal Cost, expressed as a percentage of total active payroll
- The Amortization of the Unfunded Accrued Liability (UAL), expressed as a dollar amount

For fiscal years prior to FY 2016-17, the Amortization of UAL component was expressed as a percentage of total active payroll. Starting with FY 2016-17, the Amortization of UAL component was expressed as a dollar amount and invoiced on a monthly basis. There continues to be an option to prepay this amount during July of each fiscal year.

The Normal Cost component will continue to be expressed as a percentage of active payroll with employer and employee contributions payable as part of the regular payroll reporting process.

The determination of both components requires complex actuarial calculations. The calculations are based on a set of actuarial assumptions which can be divided into two categories:

- Demographic assumptions (e.g., mortality rates, retirement rates, employment termination rates, disability rates)
- Economic assumptions (e.g., future investment earnings, inflation, salary growth rates)

These assumptions reflect CalPERS' best estimate of future experience of the plan and are long term in nature. We recognize that all assumptions will not be realized in any given year. For example, the investment earnings at CalPERS have averaged 5.8% over the 20 years ending June 30, 2019, yet individual fiscal year returns have ranged from -23.6% to +20.7%. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2017.

Changes Since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" and Appendix B for a summary of the plan provisions used in this valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on the employer contribution is shown in the "Reconciliation of Required Employer Contributions." It should be noted that no change in liability or contribution is shown for any plan changes which were already included in the prior year's valuation.

Actuarial Methods and Assumptions

The CalPERS Board of Administration adopted a new amortization policy effective with this actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on UAL bases attributable to assumption and method changes and non-investment gains/losses. The new policy also does not utilize a 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers, the new amortization policy imposes a maximum amortization period of 15 years for all unfunded accrued liabilities effective June 30, 2017. Furthermore, the plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2019. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase future required contributions while investment returns above the assumed rate of return will decrease future required contributions.

The projected employer contributions on Page 6 are calculated under the assumption that the discount rate remains at 7.0% going forward and that the realized rate of return on assets for fiscal year 2019-20 is 7.0%.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2020. Any subsequent changes or actions are not reflected.

Assets and Liabilities

- **Breakdown of Entry Age Normal Accrued Liability**
- **Allocation of Plan’s Share of Pool’s Experience/Assumption Change**
- **Development of Plan’s Share of Pool’s Market Value of Assets**
- **Schedule of Plan’s Amortization Bases**
- **Amortization Schedule and Alternatives**
- **Employer Contribution History**
- **Funding History**

Breakdown of Entry Age Normal Accrued Liability

Active Members	$13,939,940
Transferred Members	2,527,356
Terminated Members	294,048
Members and Beneficiaries Receiving Payments	28,969,766
Total	$45,731,110

Allocation of Plan's Share of Pool's Experience/Assumption Change

It is the policy of CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes in a manner that treats each employer equitably and maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. The Pool's experience gains/losses and impact of assumption/method changes is allocated to the plan as follows:

1.	Plan's Accrued Liability	$45,731,110
2.	Projected UAL balance at 6/30/2019	11,810,126
3.	Pool's Accrued Liability[1]	23,981,520,982
4.	Sum of Pool's Individual Plan UAL Balances at 6/30/2019[1]	6,591,388,217
5.	Pool's 2018/19 Investment (Gain)/Loss[1]	84,660,352
6.	Pool's 2018/19 Non-Investment (Gain)/Loss[1]	101,151,194
7.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (2)] ÷ [(3) - (4)] × (5)	165,137
8.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (3) × (6)	192,888
9.	Plan's New (Gain)/Loss as of 6/30/2019: (7) + (8)	358,026
10.	Other Changes in the UAL[2]	0

[1] Does not include plans that transferred to Pool on the valuation date.

[2] May include Golden Handshakes, Service Purchases, etc. See Schedule of Plan's Amortization Bases for details.

Development of the Plan's Share of Pool's Market Value of Assets

11.	Plan's UAL: (2) + (9) + (10)	$12,168,151
12.	Plan's Share of Pool's MVA: (1) - (11)	$33,562,959

Schedule of Plan's Amortization Bases

Note that there is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2019.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: fiscal year 2021-22.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment on the UAL for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution for the first fiscal year is determined by the actuarial valuation two years ago and the contribution for the second year is from the actuarial valuation one year ago. Additional discretionary payments are reflected in the Expected Payments column in the fiscal year they were made by the agency.

Reason for Base	Date Est.	Ramp Level 2021-22	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/19	Expected Payment 2019-20	Balance 6/30/20	Expected Payment 2020-21	Balance 6/30/21	Minimum Required Payment 2021-22
Share of Pre-2013 Pool UAL	6/30/13	No Ramp		2.75%	16	2,977,373	239,038	2,938,526	242,472	2,893,408	249,140
Non-Investment (Gain)/Loss	6/30/13	100%	Up/Down	2.75%	24	(267,591)	(17,949)	(267,756)	(18,164)	(267,710)	(18,663)
Investment (Gain)/Loss	6/30/13	100%	Up/Down	2.75%	24	4,403,363	295,364	4,406,072	298,895	4,405,318	307,114
Non-Investment (Gain)/Loss	6/30/14	100%	Up/Down	2.75%	25	37,767	2,005	38,337	2,535	38,398	2,605
Investment (Gain)/Loss	6/30/14	100%	Up/Down	2.75%	25	(3,105,782)	(164,862)	(3,152,652)	(208,475)	(3,157,689)	(214,208)
Assumption Change	6/30/14	100%	Up/Down	2.75%	15	2,014,119	149,799	2,000,154	190,193	1,943,428	195,423
Non-Investment (Gain)/Loss	6/30/15	100%	Up/Down	2.75%	26	(6,687)	(267)	(6,879)	(360)	(6,988)	(462)
Investment (Gain)/Loss	6/30/15	100%	Up/Down	2.75%	26	1,854,577	74,013	1,907,838	99,788	1,938,165	128,165
Non-Investment (Gain)/Loss	6/30/16	80%	Up/Down	2.75%	27	(378,287)	(10,219)	(394,196)	(15,491)	(405,766)	(21,223)
Investment (Gain)/Loss	6/30/16	80%	Up/Down	2.75%	27	2,353,046	63,567	2,452,005	96,361	2,523,969	132,014
Assumption Change	6/30/16	80%	Up/Down	2.75%	17	727,798	26,864	750,956	40,886	761,230	56,013
Non-Investment (Gain)/Loss	6/30/17	60%	Up/Down	2.75%	28	28,316	393	29,892	795	31,162	1,225
Investment (Gain)/Loss	6/30/17	60%	Up/Down	2.75%	28	(1,137,435)	(15,803)	(1,200,709)	(31,917)	(1,251,743)	(49,192)
Assumption Change	6/30/17	60%	Up/Down	2.75%	18	910,903	17,206	956,868	34,893	987,755	53,778
Non-Investment (Gain)/Loss	6/30/18	40%	Up/Down	2.75%	29	160,786	0	172,041	2,350	181,653	4,829
Investment (Gain)/Loss	6/30/18	40%	Up/Down	2.75%	29	(344,251)	0	(368,349)	(5,031)	(388,929)	(10,338)
Method Change	6/30/18	40%	Up/Down	2.75%	19	295,911	(704)	317,353	5,917	333,447	12,159

Schedule of Plan's Amortization Bases (continued)

Reason for Base	Date Est.	Ramp Level 2021-22	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/19	Expected Payment 2019-20	Balance 6/30/20	Expected Payment 2020-21	Balance 6/30/21	Minimum Required Payment 2021-22
Assumption Change	6/30/18	40%	Up/Down	2.75%	19	1,286,200	(30,484)	1,407,767	26,247	1,479,161	53,938
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	20	192,888	0	206,390	0	220,837	20,152
Investment (Gain)/Loss	6/30/19	20%	Up Only	0.00%	20	165,137	0	176,697	0	189,066	4,134
Total						**12,168,151**	**627,961**	**12,370,355**	**761,894**	**12,448,172**	**906,603**

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in "Allocation of Plan's Share of Pool's Experience/Assumption Change" earlier in this section. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

Amortization Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to the CalPERS amortization policy. Many agencies have expressed interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule.

The Current Amortization Schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single "fresh start" base and amortizing it over a reasonable period.

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy.

Amortization Schedule and Alternatives

			Alternate Schedules			
	Current Amortization Schedule		15 Year Amortization		10 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2021	12,448,172	906,603	12,448,172	1,321,280	12,448,172	1,713,385
6/30/2022	12,381,746	1,010,962	11,952,801	1,321,280	11,547,205	1,713,385
6/30/2023	12,202,720	1,076,145	11,422,754	1,321,280	10,583,170	1,713,386
6/30/2024	11,943,737	1,141,841	10,855,604	1,321,279	9,551,652	1,713,386
6/30/2025	11,598,667	1,176,366	10,248,755	1,321,280	8,447,927	1,713,385
6/30/2026	11,193,733	1,207,593	9,599,425	1,321,280	7,266,943	1,713,386
6/30/2027	10,728,152	1,239,680	8,904,642	1,321,279	6,003,289	1,713,385
6/30/2028	10,196,790	1,272,651	8,161,225	1,321,279	4,651,180	1,713,386
6/30/2029	9,594,123	1,306,524	7,365,769	1,321,280	3,204,422	1,713,385
6/30/2030	8,914,233	1,341,332	6,514,630	1,321,279	1,656,392	1,713,385
6/30/2031	8,150,744	1,377,097	5,603,912	1,321,279		
6/30/2032	7,296,816	1,361,166	4,629,444	1,321,279		
6/30/2033	6,399,592	1,343,351	3,586,763	1,321,279		
6/30/2034	5,457,989	1,303,638	2,471,095	1,321,280		
6/30/2035	4,491,555	1,234,541	1,277,329	1,321,279		
6/30/2036	3,528,946	1,111,045				
6/30/2037	2,626,699	655,633				
6/30/2038	2,132,377	569,488				
6/30/2039	1,692,559	500,959				
6/30/2040	1,292,844	458,278				
6/30/2041	909,296	329,684				
6/30/2042	631,919	311,581				
6/30/2043	353,852	245,842				
6/30/2044	124,319	124,559				
6/30/2045	4,178	4,322				
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
6/30/2050						
Total		**22,610,881**		**19,819,192**		**17,133,854**
Interest Paid		**10,162,709**		**7,371,020**		**4,685,682**
Estimated Savings				**2,791,689**		**5,477,027**

Employer Contribution History

The table below provides a recent history of the required employer contributions for the plan, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made during a fiscal year.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)
2016 - 17	17.689%	$322,155
2017 - 18	17.875%	405,353
2018 - 19	18.677%	526,104
2019 - 20	20.073%	659,149
2020 - 21	21.746%	761,892
2021 - 22	21.79%	906,603

Funding History

The funding history below shows the plan's actuarial accrued liability, share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio, and annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2011	$28,067,226	$22,531,125	$5,536,101	80.3%	$2,880,482
06/30/2012	28,624,917	21,696,782	6,928,135	75.8%	2,606,560
06/30/2013	30,838,361	24,852,115	5,986,246	80.6%	2,645,863
06/30/2014	32,340,790	26,848,441	5,492,349	83.0%	2,467,173
06/30/2015	33,840,258	26,630,798	7,209,460	78.7%	2,601,363
06/30/2016	36,711,005	27,023,432	9,687,573	73.6%	2,597,650
06/30/2017	39,096,059	29,243,555	9,852,504	74.8%	2,469,719
06/30/2018	42,761,498	31,278,777	11,482,721	73.1%	2,266,398
06/30/2019	45,731,110	33,562,959	12,168,151	73.4%	1,954,922

Risk Analysis

- **Future Investment Return Scenarios**
- **Discount Rate Sensitivity**
- **Mortality Rate Sensitivity**
- **Maturity Measures**
- **Maturity Measures History**
- **Hypothetical Termination Liability**

Future Investment Return Scenarios

Analysis was performed to determine the effects of various future investment returns on required employer contributions. The projections below provide a range of results based on five investment return scenarios assumed to occur during the next four fiscal years (2019-20, 2020-21, 2021-22 and 2022-23). The projections also assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

For fiscal years 2019-20, 2020-21, 2021-22, and 2022-23, each scenario assumes an alternate fixed annual return. The fixed return assumptions for the five scenarios are 1.0%, 4.0%, 7.0%, 9.0% and 12.0%.

These alternate investment returns were chosen based on stochastic analysis of possible future investment returns over the four-year period ending June 30, 2023. Using the expected returns and volatility of the asset classes in which the funds are invested, we produced five thousand stochastic outcomes for this period based on the most recently completed Asset Liability Management process. We then selected annual returns that approximate the 5th, 25th, 50th, 75th, and 95th percentiles for these outcomes. For example, of all the 4-year outcomes generated in the stochastic analysis, approximately 25% had an average annual return of 4.0% or less.

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 1.0% or greater than 12.0% over this four-year period, the likelihood of a single investment return less than 1.0% or greater than 12.0% in any given year is much greater.

Assumed Annual Return From 2019-20 through 2022-23	Projected Employer Contributions			
	2022-23	2023-24	2024-25	2025-26
1.0%				
Normal Cost	21.8%	21.8%	21.8%	21.8%
UAL Contribution	$1,061,000	$1,227,000	$1,443,000	$1,679,000
4.0%				
Normal Cost	21.8%	21.8%	21.8%	21.8%
UAL Contribution	$1,036,000	$1,152,000	$1,296,000	$1,435,000
7.0%				
Normal Cost	21.8%	21.8%	21.8%	21.8%
UAL Contribution	$1,011,000	$1,076,000	$1,142,000	$1,176,000
9.0%				
Normal Cost	22.2%	22.6%	22.9%	23.3%
UAL Contribution	$998,000	$1,040,000	$1,071,000	$1,057,000
12.0%				
Normal Cost	22.2%	22.6%	22.9%	23.3%
UAL Contribution	$973,000	$962,000	$909,000	$776,000

These projections reflect the impact of the CalPERS risk mitigation policy, which reduces the discount rate when investment returns exceed specified trigger points.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.50% and 2.50%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2019 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 7.0% as well as alternate discount rates of 6.0% and 8.0%. The rates of 6.0% and 8.0% were selected since they illustrate the impact of a 1.0% increase or decrease to the 7.0% assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2019	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**6.0%**	**7.0%**	**8.0%**
Inflation	2.5%	2.5%	2.5%
Real Rate of Return	**3.5%**	**4.5%**	**5.5%**
a) Total Normal Cost	38.39%	30.78%	24.94%
b) Accrued Liability	$51,716,009	$45,731,110	$40,777,605
c) Market Value of Assets	$33,562,959	$33,562,959	$33,562,959
d) Unfunded Liability/(Surplus) [(b) - (c)]	$18,153,050	$12,168,151	$7,214,646
e) Funded Status	64.9%	73.4%	82.3%

Sensitivity to the Price Inflation Assumption

As of June 30, 2019	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	**6.0%**	**7.0%**	**8.0%**
Inflation	**1.5%**	**2.5%**	**3.5%**
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	32.95%	30.78%	28.31%
b) Accrued Liability	$48,283,236	$45,731,110	$42,513,055
c) Market Value of Assets	$33,562,959	$33,562,959	$33,562,959
d) Unfunded Liability/(Surplus) [(b) - (c)]	$14,720,277	$12,168,151	$8,950,096
e) Funded Status	69.5%	73.4%	78.9%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2019 plan costs and funded ratio under two different longevity scenarios, namely assuming post-retirement rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2017. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

As of June 30, 2019	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	31.22%	30.78%	30.37%
b) Accrued Liability	$46,515,204	$45,731,110	$45,004,689
c) Market Value of Assets	$33,562,959	$33,562,959	$33,562,959
d) Unfunded Liability/(Surplus) [(b) - (c)]	$12,952,245	$12,168,151	$11,441,730
e) Funded Status	72.2%	73.4%	74.6%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan to tolerate risk is important in understanding how the plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio starts increasing. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	**June 30, 2018**	**June 30, 2019**
1. Retired Accrued Liability	22,616,957	28,969,766
2. Total Accrued Liability	42,761,498	45,731,110
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.53	0.63

Another measure of maturity level of CalPERS and its plans is to look at the ratio of actives to retirees, also called the Support Ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures, and members retire, the ratio starts declining. A mature plan will often have a ratio near or below one. The average support ratio for CalPERS public agency plans is 1.25.

Support Ratio	**June 30, 2018**	**June 30, 2019**
1. Number of Actives	18	15
2. Number of Retirees	28	32
3. Support Ratio [(1) / (2)]	0.64	0.47

Maturity Measures (Continued)

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio (AVR)

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of market value of assets to payroll. Plans that have higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an asset-to-payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an asset-to-payroll ratio of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio (LVR)

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to investment return and changes in liability. For example, a plan with LVR ratio of 8 is expected to have twice the contribution volatility of a plan with LVR of 4. It should be noted that this ratio indicates a longer-term potential for contribution volatility. The AVR, described above, will tend to move closer to the LVR as a plan matures.

Contribution Volatility	June 30, 2018	June 30, 2019
1. Market Value of Assets	$31,278,777	$33,562,959
2. Payroll	2,266,398	1,954,922
3. Asset Volatility Ratio (AVR) [(1) / (2)]	13.8	17.2
4. Accrued Liability	$42,761,498	$45,731,110
5. Liability Volatility Ratio (LVR) [(4) / (2)]	18.9	23.4

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	0.50	0.77	11.8	15.8
06/30/2018	0.53	0.64	13.8	18.9
06/30/2019	0.63	0.47	17.2	23.4

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2019. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 19-month period from 12 months before the valuation date to 7 months after.

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability[1,2] @ 3.25%	Funded Status	Unfunded Termination Liability @ 3.25%
$33,562,959	$97,646,680	34.4%	$64,083,721	$78,861,995	42.6%	$45,299,036

[1] The hypothetical liabilities calculated above include a 5% mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A of the Section 2 report.

[2] The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.31% on June 30, 2019, and was 1.83% on January 31, 2020.

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

Participant Data

The table below shows a summary of your plan's member data upon which this valuation is based:

	June 30, 2018	June 30, 2019
Reported Payroll	$2,266,398	$1,954,922
Projected Payroll for Contribution Purposes	$2,458,565	$2,120,679
Number of Members		
Active	18	15
Transferred	10	9
Separated	2	2
Retired	28	32

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

	Benefit Group		
Member Category	Fire	Fire	
Demographics			
Actives	Yes	No	
Transfers/Separated	Yes	No	
Receiving	Yes	Yes	
Benefit Provision			
Benefit Formula	3% @ 55		
Social Security Coverage	No		
Full/Modified	Full		
Employee Contribution Rate	9.00%		
Final Average Compensation Period	One Year		
Sick Leave Credit	Yes		
Non-Industrial Disability	Standard		
Industrial Disability	Standard		
Pre-Retirement Death Benefits			
Optional Settlement 2	Yes		
1959 Survivor Benefit Level	Indexed		
Special	Yes		
Alternate (firefighters)	No		
Post-Retirement Death Benefits			
Lump Sum	$500	$500	
Survivor Allowance (PRSA)	No	No	
COLA	2%	2%	

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

Section 2 may be found on the CalPERS website (www.calpers.ca.gov) in the Forms and Publications section

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

July 2020

PEPRA Miscellaneous Plan of the Scotts Valley Fire Protection District
(CalPERS ID: 4027652040)
Annual Valuation Report as of June 30, 2019

Dear Employer,

Attached to this letter, you will find the June 30, 2019 actuarial valuation report of your CalPERS pension plan. **Provided in this report is the determination of the minimum required employer contributions for fiscal year 2021-22**. In addition, the report contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

Because this plan is in a risk pool, the following valuation report has been separated into two sections:

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2019.

Section 2 can be found on the CalPERS website (www.calpers.ca.gov). From the home page, go to "*Forms & Publications*" and select "*View All*". In the search box, enter "*Risk Pool*" and from the results list download the Miscellaneous or Safety Risk Pool Actuarial Valuation Report as appropriate.

Your June 30, 2019 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your assigned CalPERS staff actuary, whose signature appears in the Actuarial Certification section on page 1, is available to discuss the report with you after August 1, 2020.

Actuarial valuations are based on assumptions regarding future plan experience including investment return and payroll growth, eligibility for the types of benefits provided, and longevity among retirees. The CalPERS Board of Administration adopts these assumptions after considering the advice of CalPERS actuarial and investment teams and other professionals. Each actuarial valuation reflects all prior differences between actual and assumed experience and adjusts the contribution rates as needed. This valuation is based on an investment return assumption of 7.0% which was adopted by the board in December 2016. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017.

Required Contribution

The exhibit below displays the minimum employer contributions, before any cost sharing, for fiscal year 2021-22 along with estimates of the required contributions for fiscal year 2022-23. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The employer contributions in this report do not reflect any cost sharing arrangements you may have with your employees**.

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	PEPRA Employee Rate
2021-22	7.59%	$96	6.75%
Projected Results			
2022-23	*7.6%*	*$0*	*TBD*

The actual investment return for fiscal year 2019-20 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.00%. ***To the extent the actual investment return for fiscal year 2019-20 differs from 7.00%, the actual contribution requirements for fiscal year 2022-23 will differ from those shown above.*** For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section. This section also contains projected required contributions through fiscal year 2026-27.

Changes from Previous Year's Valuation

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on Unfunded Accrued Liability (UAL) bases attributable to assumption and method changes and non-investment gains/losses. The new policy does not utilize a 5-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A, "Actuarial Methods and Assumptions." The effects of the changes on the required contributions are included in the "Reconciliation of Required Employer Contributions" section.

Questions

We understand that you might have some questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after August 1, 2020 to contact us with actuarial questions. If you have other questions, you may call the Customer Contact Center at (888)-CalPERS or (**888-225-7377**).

Sincerely,

SCOTT TERANDO
Chief Actuary

CalPERS

Actuarial Valuation
as of June 30, 2019

for the
PEPRA Miscellaneous Plan
of the
Scotts Valley Fire Protection District

(CalPERS ID: 4027652040)

Required Contributions
for Fiscal Year
July 1, 2021 - June 30, 2022

Table of Contents

Section 1

Plan Specific Information for the PEPRA Miscellaneous Plan of the Scotts Valley Fire Protection District

(CalPERS ID: 4027652040)
(Valuation Rate Plan ID: 27417)

Table of Contents

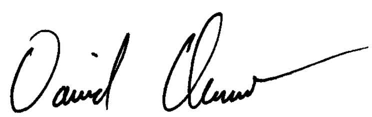
Actuarial Certification

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2019 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2019 provided by employers participating in the Miscellaneous Risk Pool to which the plan belongs and benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the risk pool containing your PEPRA Miscellaneous Plan has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool as of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my opinion as the plan actuary that the Unfunded Accrued Liability amortization bases as of June 30, 2019 and employer contribution as of July 1, 2021 have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS, a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



DAVID CLEMENT, ASA, MAAA, EA
Senior Pension Actuary, CalPERS

Highlights and Executive Summary

- **Introduction**
- **Purpose of Section 1**
- **Required Employer Contributions**
- **Additional Discretionary Employer Contributions**
- **Plan’s Funded Status**
- **Projected Employer Contributions**
- **Cost**
- **Changes Since the Prior Year’s Valuation**
- **Subsequent Events**

Introduction

This report presents the results of the June 30, 2019 actuarial valuation of the PEPRA Miscellaneous Plan of the Scotts Valley Fire Protection District of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the required employer contributions for fiscal year 2021-22.

Purpose of Section 1

This Section 1 report for the PEPRA Miscellaneous Plan of the Scotts Valley Fire Protection District of CalPERS was prepared by the plan actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2019;
- Determine the minimum required employer contribution for this plan for the fiscal year July 1, 2021 through June 30, 2022; and
- Provide actuarial information as of June 30, 2019 to the CalPERS Board of Administration and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to GASB Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available from CalPERS and details for ordering are available on our website.

The measurements shown in this actuarial valuation may not be applicable for other purposes. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; and changes in plan provisions or applicable law.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the recommendations of Actuarial Standards of Practice No. 51 and recommended by the California Actuarial Advisory Panel (CAAP) in the Model Disclosure Elements document:

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 6.0% and 8.0%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2017.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.

Required Employer Contributions

	Fiscal Year
Required Employer Contributions	**2021-22**
Employer Normal Cost Rate	**7.59%**
Plus, Either	
1) Monthly Employer Dollar UAL Payment	**$8.00**
Or	
2) Annual UAL Prepayment Option*	**$93**

*The total minimum required employer contribution is the **sum** of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) **plus** the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

** Only the UAL portion of the employer contribution can be prepaid **(which must be received in full no later than July 31)**. Any prepayment totaling over $5 million requires a 72-hour notice email to FCSD_public_agency_wires@calpers.ca.gov. Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

In accordance with Sections 20537 and 20572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.

	Fiscal Year 2020-21	Fiscal Year 2021-22
Development of Normal Cost as a Percentage of Payroll[1]		
Base Total Normal Cost for Formula	14.482%	14.34%
Surcharge for Class 1 Benefits[2]		
None	0.000%	0.00%
Phase out of Normal Cost Difference[3]	0.000%	0.00%
Plan's Total Normal Cost	14.482%	14.34%
Plan's Employee Contribution Rate[4]	6.750%	6.75%
Employer Normal Cost Rate	7.732%	7.59%
Projected Payroll for the Contribution Fiscal Year	$42,135	$55,754
Estimated Employer Contributions Based on Projected Payroll		
Plan's Estimated Employer Normal Cost	$3,258	$4,232
Plan's Payment on Amortization Bases[5]	1,094	96
% of Projected Payroll (illustrative only)	2.595%	0.17%
Estimated Total Employer Contribution	$4,352	$4,328
% of Projected Payroll (illustrative only)	10.327%	7.76%

[1] The results shown for fiscal year 2020-21 reflect the prior year valuation and may not take into account any lump sum payment, side fund payoff, or rate adjustment made after April 30, 2019.

[2] Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

[3] The normal cost difference is phased out over a five-year period. The phase out of normal cost difference is 100% for the first year of pooling and is incrementally reduced by 20% of the original normal cost difference for each subsequent year. This is non-zero only for plans that joined a pool within the past 5 years. Most plans joined a pool June 30, 2003, when risk pooling was implemented.

[4] For detail regarding the determination of the required PEPRA employee contribution rate see Section on PEPRA Member Contribution Rates.

[5] See Schedule of Plan's Amortization Bases.

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for the 2021-22 fiscal year is $96. CalPERS allows employers to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Employers can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

Provided below are select ADP options for consideration. Making such an ADP during fiscal year 2021-22 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see the "Amortization Schedule and Alternatives" section of the report.

If you are considering making an ADP, please contact your actuary for additional information.

Minimum Required Employer Contribution for Fiscal Year 2021-22

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
$4,232	$96	$0	$96	$4,328

Alternative Fiscal Year 2021-22 Employer Contributions for Greater UAL Reduction

Funding Target	Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
5 years	N/A	N/A	N/A	N/A	N/A

[1] The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

Note that the calculations above are based on the projected Unfunded Accrued Liability as of June 30, 2021 as determined in the June 30, 2019 actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Plan's Funded Status

	June 30, 2018	June 30, 2019
1. Present Value of Projected Benefits (PVB)	$85,356	$77,193
2. Entry Age Normal Accrued Liability (AL)	12,945	10,054
3. Plan's Market Value of Assets (MVA)	10,530	8,563
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	2,415	1,491
5. Funded Ratio [(3) / (2)]	81.3%	85.2%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. As of the preparation date of this report, the year to date return for the 2019-20 fiscal year was well below the 7% assumed return. Actual contribution rates during this projection period could be significantly higher than the projection shown below.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)				
Fiscal Year	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**
Normal Cost %	7.59%	7.6%	7.6%	7.6%	7.6%	7.6%
UAL Payment	$96	$0	$0	$0	$0	$0

For some sources of UAL, the change in UAL is amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large increase in UAL, the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

For projected contributions under alternate investment return scenarios, please see the "Future Investment Return Scenarios" in the "Risk Analysis" section.

Cost

Actuarial Determination of Pension Plan Cost

Contributions to fund the pension plan are comprised of two components:

- The Normal Cost, expressed as a percentage of total active payroll
- The Amortization of the Unfunded Accrued Liability (UAL), expressed as a dollar amount

For fiscal years prior to FY 2016-17, the Amortization of UAL component was expressed as a percentage of total active payroll. Starting with FY 2016-17, the Amortization of UAL component was expressed as a dollar amount and invoiced on a monthly basis. There continues to be an option to prepay this amount during July of each fiscal year.

The Normal Cost component will continue to be expressed as a percentage of active payroll with employer and employee contributions payable as part of the regular payroll reporting process.

The determination of both components requires complex actuarial calculations. The calculations are based on a set of actuarial assumptions which can be divided into two categories:

- Demographic assumptions (e.g., mortality rates, retirement rates, employment termination rates, disability rates)
- Economic assumptions (e.g., future investment earnings, inflation, salary growth rates)

These assumptions reflect CalPERS' best estimate of future experience of the plan and are long term in nature. We recognize that all assumptions will not be realized in any given year. For example, the investment earnings at CalPERS have averaged 5.8% over the 20 years ending June 30, 2019, yet individual fiscal year returns have ranged from -23.6% to +20.7%. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2017.

Changes Since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" and Appendix B for a summary of the plan provisions used in this valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on the employer contribution is shown in the "Reconciliation of Required Employer Contributions." It should be noted that no change in liability or contribution is shown for any plan changes which were already included in the prior year's valuation.

Actuarial Methods and Assumptions

The CalPERS Board of Administration adopted a new amortization policy effective with this actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on UAL bases attributable to assumption and method changes and non-investment gains/losses. The new policy also does not utilize a 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers, the new amortization policy imposes a maximum amortization period of 15 years for all unfunded accrued liabilities effective June 30, 2017. Furthermore, the plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2019. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase future required contributions while investment returns above the assumed rate of return will decrease future required contributions.

The projected employer contributions on Page 6 are calculated under the assumption that the discount rate remains at 7.0% going forward and that the realized rate of return on assets for fiscal year 2019-20 is 7.0%.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2020. Any subsequent changes or actions are not reflected.

Assets and Liabilities

- **Breakdown of Entry Age Normal Accrued Liability**
- **Allocation of Plan's Share of Pool's Experience/Assumption Change**
- **Development of Plan's Share of Pool's Market Value of Assets**
- **Schedule of Plan's Amortization Bases**
- **Amortization Schedule and Alternatives**
- **Employer Contribution History**
- **Funding History**

Breakdown of Entry Age Normal Accrued Liability

Active Members	$4,493
Transferred Members	0
Terminated Members	5,561
Members and Beneficiaries Receiving Payments	0
Total	$10,054

Allocation of Plan's Share of Pool's Experience/Assumption Change

It is the policy of CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes in a manner that treats each employer equitably and maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. The Pool's experience gains/losses and impact of assumption/method changes is allocated to the plan as follows:

1.	Plan's Accrued Liability	$10,054
2.	Projected UAL balance at 6/30/2019	1,410
3.	Pool's Accrued Liability[1]	18,394,114,919
4.	Sum of Pool's Individual Plan UAL Balances at 6/30/2019[1]	4,268,374,183
5.	Pool's 2018/19 Investment (Gain)/Loss[1]	68,711,010
6.	Pool's 2018/19 Non-Investment (Gain)/Loss[1]	70,985,020
7.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (2)] ÷ [(3) - (4)] × (5)	42
8.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (3) × (6)	39
9.	Plan's New (Gain)/Loss as of 6/30/2019: (7) + (8)	81
10.	Other Changes in the UAL[2]	0

[1] Does not include plans that transferred to Pool on the valuation date.

[2] May include Golden Handshakes, Service Purchases, etc. See Schedule of Plan's Amortization Bases for details.

Development of the Plan's Share of Pool's Market Value of Assets

11.	Plan's UAL: (2) + (9) + (10)	$1,491
12.	Plan's Share of Pool's MVA: (1) - (11)	$8,563

Schedule of Plan's Amortization Bases

Note that there is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2019.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: fiscal year 2021-22.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment on the UAL for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution for the first fiscal year is determined by the actuarial valuation two years ago and the contribution for the second year is from the actuarial valuation one year ago. Additional discretionary payments are reflected in the Expected Payments column in the fiscal year they were made by the agency.

Reason for Base	Date Est.	Ramp Level 2021-22	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/19	Expected Payment 2019-20	Balance 6/30/20	Expected Payment 2020-21	Balance 6/30/21	Minimum Required Payment 2021-22
Fresh Start	6/30/19	No Ramp		0.00%	1	1,491	437	1,143	1,094	93	96
Total						**1,491**	**437**	**1,143**	**1,094**	**93**	**96**

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in "Allocation of Plan's Share of Pool's Experience/Assumption Change" earlier in this section. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

Amortization Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to the CalPERS amortization policy. Many agencies have expressed interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule.

The Current Amortization Schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single "fresh start" base and amortizing it over a reasonable period.

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy.

Amortization Schedule and Alternatives

	Current Amortization Schedule		Alternate Schedules: 0 Year Amortization		Alternate Schedules: 0 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2021	91	94	N/A	N/A	N/A	N/A
6/30/2022						
6/30/2023						
6/30/2024						
6/30/2025						
6/30/2026						
6/30/2027						
6/30/2028						
6/30/2029						
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6/30/2035						
6/30/2036						
6/30/2037						
6/30/2038						
6/30/2039						
6/30/2040						
6/30/2041						
6/30/2042						
6/30/2043						
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
6/30/2050						
Total		**94**		**N/A**		**N/A**
Interest Paid		**3**		**N/A**		**N/A**
Estimated Savings				**N/A**		**N/A**

Employer Contribution History

The table below provides a recent history of the required employer contributions for the plan, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made during a fiscal year.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)
2017 - 18	6.533%	$3
2018 - 19	6.842%	1,759
2019 - 20	6.985%	737
2020 - 21	7.732%	1,094
2021 - 22	7.59%	96

Funding History

The funding history below shows the plan's actuarial accrued liability, share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio, and annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2015	$3,878	$3,690	$188	95.2%	$42,494
06/30/2016	8,943	8,091	852	90.5%	73,877
06/30/2017	746	(521)	1,267	-69.9%	43,304
06/30/2018	12,945	10,530	2,415	81.3%	38,842
06/30/2019	10,054	8,563	1,491	85.2%	51,396

Risk Analysis

- **Future Investment Return Scenarios**
- **Discount Rate Sensitivity**
- **Mortality Rate Sensitivity**
- **Maturity Measures**
- **Maturity Measures History**
- **Hypothetical Termination Liability**

Future Investment Return Scenarios

Analysis was performed to determine the effects of various future investment returns on required employer contributions. The projections below provide a range of results based on five investment return scenarios assumed to occur during the next four fiscal years (2019-20, 2020-21, 2021-22 and 2022-23). The projections also assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

For fiscal years 2019-20, 2020-21, 2021-22, and 2022-23, each scenario assumes an alternate fixed annual return. The fixed return assumptions for the five scenarios are 1.0%, 4.0%, 7.0%, 9.0% and 12.0%.

These alternate investment returns were chosen based on stochastic analysis of possible future investment returns over the four-year period ending June 30, 2023. Using the expected returns and volatility of the asset classes in which the funds are invested, we produced five thousand stochastic outcomes for this period based on the most recently completed Asset Liability Management process. We then selected annual returns that approximate the 5th, 25th, 50th, 75th, and 95th percentiles for these outcomes. For example, of all the 4-year outcomes generated in the stochastic analysis, approximately 25% had an average annual return of 4.0% or less.

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 1.0% or greater than 12.0% over this four-year period, the likelihood of a single investment return less than 1.0% or greater than 12.0% in any given year is much greater.

Assumed Annual Return From 2019-20 through 2022-23	Projected Employer Contributions			
	2022-23	2023-24	2024-25	2025-26
1.0%				
Normal Cost	7.6%	7.6%	7.6%	7.6%
UAL Contribution	$13	$39	$77	$130
4.0%				
Normal Cost	7.6%	7.6%	7.6%	7.6%
UAL Contribution	$6	$20	$39	$67
7.0%				
Normal Cost	7.6%	7.6%	7.6%	7.6%
UAL Contribution	$0	$0	$0	$0
9.0%				
Normal Cost	7.8%	7.9%	7.4%	7.5%
UAL Contribution	$0	$0	$0	$0
12.0%				
Normal Cost	7.8%	7.9%	7.4%	7.5%
UAL Contribution	$0	$0	$0	$0

These projections reflect the impact of the CalPERS risk mitigation policy, which reduces the discount rate when investment returns exceed specified trigger points.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.50% and 2.50%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2019 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 7.0% as well as alternate discount rates of 6.0% and 8.0%. The rates of 6.0% and 8.0% were selected since they illustrate the impact of a 1.0% increase or decrease to the 7.0% assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2019	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**6.0%**	**7.0%**	**8.0%**
Inflation	2.5%	2.5%	2.5%
Real Rate of Return	**3.5%**	**4.5%**	**5.5%**
a) Total Normal Cost	17.78%	14.34%	11.71%
b) Accrued Liability	$11,784	$10,054	$8,797
c) Market Value of Assets	$8,563	$8,563	$8,563
d) Unfunded Liability/(Surplus) [(b) - (c)]	$3,221	$1,491	$234
e) Funded Status	72.7%	85.2%	97.3%

Sensitivity to the Price Inflation Assumption

As of June 30, 2019	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	**6.0%**	**7.0%**	**8.0%**
Inflation	**1.5%**	**2.5%**	**3.5%**
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	15.33%	14.34%	13.16%
b) Accrued Liability	$10,434	$10,054	$9,614
c) Market Value of Assets	$8,563	$8,563	$8,563
d) Unfunded Liability/(Surplus) [(b) - (c)]	$1,871	$1,491	$1,051
e) Funded Status	82.1%	85.2%	89.1%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2019 plan costs and funded ratio under two different longevity scenarios, namely assuming post-retirement rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2017. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

As of June 30, 2019	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	14.61%	14.34%	14.09%
b) Accrued Liability	$10,133	$10,054	$9,974
c) Market Value of Assets	$8,563	$8,563	$8,563
d) Unfunded Liability/(Surplus) [(b) - (c)]	$1,570	$1,491	$1,411
e) Funded Status	84.5%	85.2%	85.9%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan to tolerate risk is important in understanding how the plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio starts increasing. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	**June 30, 2018**	**June 30, 2019**
1. Retired Accrued Liability	0	0
2. Total Accrued Liability	12,945	10,054
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.00	0.00

Another measure of maturity level of CalPERS and its plans is to look at the ratio of actives to retirees, also called the Support Ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures, and members retire, the ratio starts declining. A mature plan will often have a ratio near or below one. The average support ratio for CalPERS public agency plans is 1.25.

Support Ratio	**June 30, 2018**	**June 30, 2019**
1. Number of Actives	1	1
2. Number of Retirees	0	0
3. Support Ratio [(1) / (2)]	N/A	N/A

Maturity Measures (Continued)

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio (AVR)

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of market value of assets to payroll. Plans that have higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an asset-to-payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an asset-to-payroll ratio of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio (LVR)

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to investment return and changes in liability. For example, a plan with LVR ratio of 8 is expected to have twice the contribution volatility of a plan with LVR of 4. It should be noted that this ratio indicates a longer-term potential for contribution volatility. The AVR, described above, will tend to move closer to the LVR as a plan matures.

Contribution Volatility	**June 30, 2018**	**June 30, 2019**
1. Market Value of Assets	$10,530	$8,563
2. Payroll	38,842	51,396
3. Asset Volatility Ratio (AVR) [(1) / (2)]	0.3	0.2
4. Accrued Liability	$12,945	$10,054
5. Liability Volatility Ratio (LVR) [(4) / (2)]	0.3	0.2

Maturity Measures History

Valuation Date	**Ratio of Retiree Accrued Liability to Total Accrued Liability**	**Support Ratio**	**Asset Volatility Ratio**	**Liability Volatility Ratio**
06/30/2017	0.00	N/A	0.0	0.0
06/30/2018	0.00	N/A	0.3	0.3
06/30/2019	0.00	N/A	0.2	0.2

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2019. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 19-month period from 12 months before the valuation date to 7 months after.

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability[1,2] @ 3.25%	Funded Status	Unfunded Termination Liability @ 3.25%
$8,563	$47,664	18.0%	$39,101	$31,436	27.2%	$22,873

[1] The hypothetical liabilities calculated above include a 5% mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A of the Section 2 report.

[2] The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.31% on June 30, 2019, and was 1.83% on January 31, 2020.

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

Participant Data

The table below shows a summary of your plan's member data upon which this valuation is based:

	June 30, 2018	June 30, 2019
Reported Payroll	$38,842	$51,396
Projected Payroll for Contribution Purposes	$42,135	$55,754
Number of Members		
Active	1	1
Transferred	0	0
Separated	0	1
Retired	0	0

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- None

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

	Benefit Group	
Member Category	Misc	
Demographics		
Actives	Yes	
Transfers/Separated	Yes	
Receiving	No	
Benefit Provision		
Benefit Formula	2% @ 62	
Social Security Coverage	No	
Full/Modified	Full	
Employee Contribution Rate	6.75%	
Final Average Compensation Period	Three Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	Indexed	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$500	
Survivor Allowance (PRSA)	No	
COLA	2%	

PEPRA Member Contribution Rates

The California Public Employees' Pension Reform Act of 2013 (PEPRA) established new benefit formulas, final compensation period, and contribution requirements for "new" employees (generally those first hired into a CalPERS-covered position on or after January 1, 2013). In accordance with Government Code Section 7522.30(b), "new members … shall have an initial contribution rate of at least 50% of the normal cost rate." The normal cost rate is dependent on the plan of retirement benefits, actuarial assumptions and demographics of the risk pool, particularly members' entry age. Should the total normal cost rate change by more than 1% from the base total normal cost rate, the new member rate shall be 50% of the new normal cost rate rounded to the nearest quarter percent.

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2021, based on 50% of the total normal cost rate as of the June 30, 2019 valuation.

		Basis for Current Rate		Rates Effective July 1, 2021			
Rate Plan Identifier	**Benefit Group Name**	**Total Normal Cost**	**Member Rate**	**Total Normal Cost**	**Change**	**Change Needed**	**Member Rate**
27417	Miscellaneous PEPRA Level	13.735%	6.75%	14.34%	0.605%	No	6.75%

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

Section 2 may be found on the CalPERS website (www.calpers.ca.gov) in the Forms and Publications section

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

July 2020

PEPRA Safety Fire Plan of the Scotts Valley Fire Protection District
(CalPERS ID: 4027652040)
Annual Valuation Report as of June 30, 2019

Dear Employer,

Attached to this letter, you will find the June 30, 2019 actuarial valuation report of your CalPERS pension plan. **Provided in this report is the determination of the minimum required employer contributions for fiscal year 2021-22**. In addition, the report contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

Because this plan is in a risk pool, the following valuation report has been separated into two sections:

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2019.

Section 2 can be found on the CalPERS website (www.calpers.ca.gov). From the home page, go to *"Forms & Publications"* and select *"View All"*. In the search box, enter *"Risk Pool"* and from the results list download the Miscellaneous or Safety Risk Pool Actuarial Valuation Report as appropriate.

Your June 30, 2019 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your assigned CalPERS staff actuary, whose signature appears in the Actuarial Certification section on page 1, is available to discuss the report with you after August 1, 2020.

Actuarial valuations are based on assumptions regarding future plan experience including investment return and payroll growth, eligibility for the types of benefits provided, and longevity among retirees. The CalPERS Board of Administration adopts these assumptions after considering the advice of CalPERS actuarial and investment teams and other professionals. Each actuarial valuation reflects all prior differences between actual and assumed experience and adjusts the contribution rates as needed. This valuation is based on an investment return assumption of 7.0% which was adopted by the board in December 2016. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017.

Required Contribution

The exhibit below displays the minimum employer contributions, before any cost sharing, for fiscal year 2021-22 along with estimates of the required contributions for fiscal year 2022-23. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The employer contributions in this report do not reflect any cost sharing arrangements you may have with your employees**.

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	PEPRA Employee Rate
2021-22	13.13%	$22,134	13.00%
Projected Results			
2022-23	*13.1%*	*$22,000*	*TBD*

The actual investment return for fiscal year 2019-20 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.00%. ***To the extent the actual investment return for fiscal year 2019-20 differs from 7.00%, the actual contribution requirements for fiscal year 2022-23 will differ from those shown above.*** For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section. This section also contains projected required contributions through fiscal year 2026-27.

Changes from Previous Year's Valuation

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on Unfunded Accrued Liability (UAL) bases attributable to assumption and method changes and non-investment gains/losses. The new policy does not utilize a 5-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A, "Actuarial Methods and Assumptions." The effects of the changes on the required contributions are included in the "Reconciliation of Required Employer Contributions" section.

Questions

We understand that you might have some questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after August 1, 2020 to contact us with actuarial questions. If you have other questions, you may call the Customer Contact Center at (888)-CalPERS or (**888-225-7377**).

Sincerely,

SCOTT TERANDO
Chief Actuary

Actuarial Valuation
as of June 30, 2019

for the
PEPRA Safety Fire Plan
of the
Scotts Valley Fire Protection District

(CalPERS ID: 4027652040)

Required Contributions
for Fiscal Year
July 1, 2021 - June 30, 2022

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Section 1

Plan Specific Information
for the
PEPRA Safety Fire Plan
of the
Scotts Valley Fire Protection District

(CalPERS ID: 4027652040)
(Valuation Rate Plan ID: 25848)

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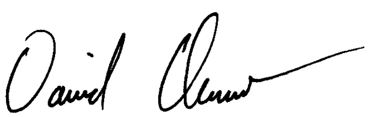
Actuarial Certification

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2019 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2019 provided by employers participating in the Safety Risk Pool to which the plan belongs and benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the risk pool containing your PEPRA Safety Fire Plan has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool as of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my opinion as the plan actuary that the Unfunded Accrued Liability amortization bases as of June 30, 2019 and employer contribution as of July 1, 2021 have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS, a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



DAVID CLEMENT, ASA, MAAA, EA
Senior Pension Actuary, CalPERS

Highlights and Executive Summary

- **Introduction**
- **Purpose of Section 1**
- **Required Employer Contributions**
- **Additional Discretionary Employer Contributions**
- **Plan’s Funded Status**
- **Projected Employer Contributions**
- **Cost**
- **Changes Since the Prior Year’s Valuation**
- **Subsequent Events**

Introduction

This report presents the results of the June 30, 2019 actuarial valuation of the PEPRA Safety Fire Plan of the Scotts Valley Fire Protection District of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the required employer contributions for fiscal year 2021-22.

Purpose of Section 1

This Section 1 report for the PEPRA Safety Fire Plan of the Scotts Valley Fire Protection District of CalPERS was prepared by the plan actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2019;
- Determine the minimum required employer contribution for this plan for the fiscal year July 1, 2021 through June 30, 2022; and
- Provide actuarial information as of June 30, 2019 to the CalPERS Board of Administration and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to GASB Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available from CalPERS and details for ordering are available on our website.

The measurements shown in this actuarial valuation may not be applicable for other purposes. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; and changes in plan provisions or applicable law.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the recommendations of Actuarial Standards of Practice No. 51 and recommended by the California Actuarial Advisory Panel (CAAP) in the Model Disclosure Elements document:

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 6.0% and 8.0%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2017.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.

Required Employer Contributions

Required Employer Contributions	Fiscal Year 2021-22
Employer Normal Cost Rate	**13.13%**
Plus, Either	
1) Monthly Employer Dollar UAL Payment	**$1,844.50**
Or	
2) Annual UAL Prepayment Option*	**$21,398**

*The total minimum required employer contribution is the **sum** of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) **plus** the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

** Only the UAL portion of the employer contribution can be prepaid **(which must be received in full no later than July 31)**. Any prepayment totaling over $5 million requires a 72-hour notice email to FCSD_public_agency_wires@calpers.ca.gov. Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

In accordance with Sections 20537 and 20572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.

	Fiscal Year 2020-21	Fiscal Year 2021-22
Development of Normal Cost as a Percentage of Payroll[1]		
Base Total Normal Cost for Formula	26.044%	26.13%
Surcharge for Class 1 Benefits[2]		
None	0.000%	0.00%
Phase out of Normal Cost Difference[3]	0.000%	0.00%
Plan's Total Normal Cost	26.044%	26.13%
Plan's Employee Contribution Rate[4]	13.000%	13.00%
Employer Normal Cost Rate	13.044%	13.13%
Projected Payroll for the Contribution Fiscal Year	$863,721	$1,226,040
Estimated Employer Contributions Based on Projected Payroll		
Plan's Estimated Employer Normal Cost	$112,664	$160,979
Plan's Payment on Amortization Bases[5]	17,747	22,134
% of Projected Payroll (illustrative only)	2.055%	1.81%
Estimated Total Employer Contribution	$130,411	$183,113
% of Projected Payroll (illustrative only)	15.099%	14.94%

[1] The results shown for fiscal year 2020-21 reflect the prior year valuation and may not take into account any lump sum payment, side fund payoff, or rate adjustment made after April 30, 2019.

[2] Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

[3] The normal cost difference is phased out over a five-year period. The phase out of normal cost difference is 100% for the first year of pooling and is incrementally reduced by 20% of the original normal cost difference for each subsequent year. This is non-zero only for plans that joined a pool within the past 5 years. Most plans joined a pool June 30, 2003, when risk pooling was implemented.

[4] For detail regarding the determination of the required PEPRA employee contribution rate see Section on PEPRA Member Contribution Rates.

[5] See Schedule of Plan's Amortization Bases.

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for the 2021-22 fiscal year is $22,134. CalPERS allows employers to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Employers can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

Provided below are select ADP options for consideration. Making such an ADP during fiscal year 2021-22 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see the "Amortization Schedule and Alternatives" section of the report.

If you are considering making an ADP, please contact your actuary for additional information.

Minimum Required Employer Contribution for Fiscal Year 2021-22

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
$160,979	$22,134	$0	$22,134	$183,113

Alternative Fiscal Year 2021-22 Employer Contributions for Greater UAL Reduction

Funding Target	Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
5 years	N/A	N/A	N/A	N/A	N/A

[1] The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

Note that the calculations above are based on the projected Unfunded Accrued Liability as of June 30, 2021 as determined in the June 30, 2019 actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Plan's Funded Status

	June 30, 2018	June 30, 2019
1. Present Value of Projected Benefits (PVB)	$3,112,568	$4,641,659
2. Entry Age Normal Accrued Liability (AL)	374,975	679,096
3. Plan's Market Value of Assets (MVA)	351,415	632,618
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	23,560	46,478
5. Funded Ratio [(3) / (2)]	93.7%	93.2%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. As of the preparation date of this report, the year to date return for the 2019-20 fiscal year was well below the 7% assumed return. Actual contribution rates during this projection period could be significantly higher than the projection shown below.

	Required Contribution	**Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)**				
Fiscal Year	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**
Normal Cost %	13.13%	13.1%	13.1%	13.1%	13.1%	13.1%
UAL Payment	$22,134	$22,000	$0	$0	$0	$0

For some sources of UAL, the change in UAL is amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large increase in UAL, the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

For projected contributions under alternate investment return scenarios, please see the "Future Investment Return Scenarios" in the "Risk Analysis" section.

Cost

Actuarial Determination of Pension Plan Cost

Contributions to fund the pension plan are comprised of two components:

- The Normal Cost, expressed as a percentage of total active payroll
- The Amortization of the Unfunded Accrued Liability (UAL), expressed as a dollar amount

For fiscal years prior to FY 2016-17, the Amortization of UAL component was expressed as a percentage of total active payroll. Starting with FY 2016-17, the Amortization of UAL component was expressed as a dollar amount and invoiced on a monthly basis. There continues to be an option to prepay this amount during July of each fiscal year.

The Normal Cost component will continue to be expressed as a percentage of active payroll with employer and employee contributions payable as part of the regular payroll reporting process.

The determination of both components requires complex actuarial calculations. The calculations are based on a set of actuarial assumptions which can be divided into two categories:

- Demographic assumptions (e.g., mortality rates, retirement rates, employment termination rates, disability rates)
- Economic assumptions (e.g., future investment earnings, inflation, salary growth rates)

These assumptions reflect CalPERS' best estimate of future experience of the plan and are long term in nature. We recognize that all assumptions will not be realized in any given year. For example, the investment earnings at CalPERS have averaged 5.8% over the 20 years ending June 30, 2019, yet individual fiscal year returns have ranged from -23.6% to +20.7%. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2017.

Changes Since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" and Appendix B for a summary of the plan provisions used in this valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on the employer contribution is shown in the "Reconciliation of Required Employer Contributions." It should be noted that no change in liability or contribution is shown for any plan changes which were already included in the prior year's valuation.

Actuarial Methods and Assumptions

The CalPERS Board of Administration adopted a new amortization policy effective with this actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on UAL bases attributable to assumption and method changes and non-investment gains/losses. The new policy also does not utilize a 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers, the new amortization policy imposes a maximum amortization period of 15 years for all unfunded accrued liabilities effective June 30, 2017. Furthermore, the plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2019. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase future required contributions while investment returns above the assumed rate of return will decrease future required contributions.

The projected employer contributions on Page 6 are calculated under the assumption that the discount rate remains at 7.0% going forward and that the realized rate of return on assets for fiscal year 2019-20 is 7.0%.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2020. Any subsequent changes or actions are not reflected.

Assets and Liabilities

- **Breakdown of Entry Age Normal Accrued Liability**
- **Allocation of Plan's Share of Pool's Experience/Assumption Change**
- **Development of Plan's Share of Pool's Market Value of Assets**
- **Schedule of Plan's Amortization Bases**
- **Amortization Schedule and Alternatives**
- **Employer Contribution History**
- **Funding History**

Breakdown of Entry Age Normal Accrued Liability

Active Members	$671,559
Transferred Members	7,537
Terminated Members	0
Members and Beneficiaries Receiving Payments	0
Total	$679,096

Allocation of Plan's Share of Pool's Experience/Assumption Change

It is the policy of CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes in a manner that treats each employer equitably and maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. The Pool's experience gains/losses and impact of assumption/method changes is allocated to the plan as follows:

1.	Plan's Accrued Liability	$679,096
2.	Projected UAL balance at 6/30/2019	40,505
3.	Pool's Accrued Liability[1]	23,981,520,982
4.	Sum of Pool's Individual Plan UAL Balances at 6/30/2019[1]	6,591,388,217
5.	Pool's 2018/19 Investment (Gain)/Loss[1]	84,660,352
6.	Pool's 2018/19 Non-Investment (Gain)/Loss[1]	101,151,194
7.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (2)] ÷ [(3) - (4)] × (5)	3,109
8.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (3) × (6)	2,864
9.	Plan's New (Gain)/Loss as of 6/30/2019: (7) + (8)	5,973
10.	Other Changes in the UAL[2]	0

[1] Does not include plans that transferred to Pool on the valuation date.

[2] May include Golden Handshakes, Service Purchases, etc. See Schedule of Plan's Amortization Bases for details.

Development of the Plan's Share of Pool's Market Value of Assets

11.	Plan's UAL: (2) + (9) + (10)	$46,478
12.	Plan's Share of Pool's MVA: (1) - (11)	$632,618

Schedule of Plan's Amortization Bases

Note that there is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2019.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: fiscal year 2021-22.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment on the UAL for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution for the first fiscal year is determined by the actuarial valuation two years ago and the contribution for the second year is from the actuarial valuation one year ago. Additional discretionary payments are reflected in the Expected Payments column in the fiscal year they were made by the agency.

Reason for Base	Date Est.	Ramp Level 2021-22	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/19	Expected Payment 2019-20	Balance 6/30/20	Expected Payment 2020-21	Balance 6/30/21	Minimum Required Payment 2021-22
Fresh Start	6/30/19	No Ramp		0.00%	2	46,478	(5,909)	55,844	17,747	41,395	22,134
Total						**46,478**	**(5,909)**	**55,844**	**17,747**	**41,395**	**22,134**

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in "Allocation of Plan's Share of Pool's Experience/Assumption Change" earlier in this section. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

Amortization Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to the CalPERS amortization policy. Many agencies have expressed interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule.

The Current Amortization Schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single "fresh start" base and amortizing it over a reasonable period.

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy.

Amortization Schedule and Alternatives

	Current Amortization Schedule		Alternate Schedules			
			0 Year Amortization		0 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2021	41,395	22,134	N/A	N/A	N/A	N/A
6/30/2022	21,397	22,133				
6/30/2023						
6/30/2024						
6/30/2025						
6/30/2026						
6/30/2027						
6/30/2028						
6/30/2029						
6/30/2030						
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6/30/2041						
6/30/2042						
6/30/2043						
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
6/30/2050						
Total		**44,267**		**N/A**		**N/A**
Interest Paid		**2,872**		**N/A**		**N/A**
Estimated Savings				**N/A**		**N/A**

Employer Contribution History

The table below provides a recent history of the required employer contributions for the plan, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made during a fiscal year.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)
2017 - 18	11.990%	$0
2018 - 19	12.141%	2,057
2019 - 20	13.034%	5,047
2020 - 21	13.044%	17,747
2021 - 22	13.13%	22,134

Funding History

The funding history below shows the plan's actuarial accrued liability, share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio, and annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2015	$65	$62	$3	94.8%	$108,822
06/30/2016	59,319	54,979	4,340	92.7%	234,586
06/30/2017	156,005	151,473	4,532	97.1%	433,524
06/30/2018	374,975	351,415	23,560	93.7%	796,211
06/30/2019	679,096	632,618	46,478	93.2%	1,130,210

Risk Analysis

- **Future Investment Return Scenarios**
- **Discount Rate Sensitivity**
- **Mortality Rate Sensitivity**
- **Maturity Measures**
- **Maturity Measures History**
- **Hypothetical Termination Liability**

Future Investment Return Scenarios

Analysis was performed to determine the effects of various future investment returns on required employer contributions. The projections below provide a range of results based on five investment return scenarios assumed to occur during the next four fiscal years (2019-20, 2020-21, 2021-22 and 2022-23). The projections also assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

For fiscal years 2019-20, 2020-21, 2021-22, and 2022-23, each scenario assumes an alternate fixed annual return. The fixed return assumptions for the five scenarios are 1.0%, 4.0%, 7.0%, 9.0% and 12.0%.

These alternate investment returns were chosen based on stochastic analysis of possible future investment returns over the four-year period ending June 30, 2023. Using the expected returns and volatility of the asset classes in which the funds are invested, we produced five thousand stochastic outcomes for this period based on the most recently completed Asset Liability Management process. We then selected annual returns that approximate the 5th, 25th, 50th, 75th, and 95th percentiles for these outcomes. For example, of all the 4-year outcomes generated in the stochastic analysis, approximately 25% had an average annual return of 4.0% or less.

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 1.0% or greater than 12.0% over this four-year period, the likelihood of a single investment return less than 1.0% or greater than 12.0% in any given year is much greater.

Assumed Annual Return From 2019-20 through 2022-23	Projected Employer Contributions			
	2022-23	2023-24	2024-25	2025-26
1.0%				
Normal Cost	13.1%	13.1%	13.1%	13.1%
UAL Contribution	$23,000	$2,800	$5,700	$9,500
4.0%				
Normal Cost	13.1%	13.1%	13.1%	13.1%
UAL Contribution	$23,000	$1,400	$2,900	$4,900
7.0%				
Normal Cost	13.1%	13.1%	13.1%	13.1%
UAL Contribution	$22,000	$0	$0	$0
9.0%				
Normal Cost	13.5%	13.8%	13.6%	13.9%
UAL Contribution	$22,000	$0	$0	$0
12.0%				
Normal Cost	13.5%	13.8%	13.6%	13.9%
UAL Contribution	$0	$0	$0	$0

These projections reflect the impact of the CalPERS risk mitigation policy, which reduces the discount rate when investment returns exceed specified trigger points.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.50% and 2.50%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2019 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 7.0% as well as alternate discount rates of 6.0% and 8.0%. The rates of 6.0% and 8.0% were selected since they illustrate the impact of a 1.0% increase or decrease to the 7.0% assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2019	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**6.0%**	**7.0%**	**8.0%**
Inflation	2.5%	2.5%	2.5%
Real Rate of Return	**3.5%**	**4.5%**	**5.5%**
a) Total Normal Cost	32.60%	26.13%	21.20%
b) Accrued Liability	$827,586	$679,096	$561,814
c) Market Value of Assets	$632,618	$632,618	$632,618
d) Unfunded Liability/(Surplus) [(b) - (c)]	$194,968	$46,478	($70,804)
e) Funded Status	76.4%	93.2%	112.6%

Sensitivity to the Price Inflation Assumption

As of June 30, 2019	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	**6.0%**	**7.0%**	**8.0%**
Inflation	**1.5%**	**2.5%**	**3.5%**
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	28.10%	26.13%	23.94%
b) Accrued Liability	$725,066	$679,096	$623,407
c) Market Value of Assets	$632,618	$632,618	$632,618
d) Unfunded Liability/(Surplus) [(b) - (c)]	$92,448	$46,478	($9,211)
e) Funded Status	87.2%	93.2%	101.5%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2019 plan costs and funded ratio under two different longevity scenarios, namely assuming post-retirement rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2017. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

As of June 30, 2019	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	26.50%	26.13%	25.79%
b) Accrued Liability	$691,640	$679,096	$667,496
c) Market Value of Assets	$632,618	$632,618	$632,618
d) Unfunded Liability/(Surplus) [(b) - (c)]	$59,022	$46,478	$34,878
e) Funded Status	91.5%	93.2%	94.8%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan to tolerate risk is important in understanding how the plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio starts increasing. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	**June 30, 2018**	**June 30, 2019**
1. Retired Accrued Liability	0	0
2. Total Accrued Liability	374,975	679,096
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.00	0.00

Another measure of maturity level of CalPERS and its plans is to look at the ratio of actives to retirees, also called the Support Ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures, and members retire, the ratio starts declining. A mature plan will often have a ratio near or below one. The average support ratio for CalPERS public agency plans is 1.25.

Support Ratio	**June 30, 2018**	**June 30, 2019**
1. Number of Actives	8	11
2. Number of Retirees	0	0
3. Support Ratio [(1) / (2)]	N/A	N/A

Maturity Measures (Continued)

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio (AVR)

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of market value of assets to payroll. Plans that have higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an asset-to-payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an asset-to-payroll ratio of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio (LVR)

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to investment return and changes in liability. For example, a plan with LVR ratio of 8 is expected to have twice the contribution volatility of a plan with LVR of 4. It should be noted that this ratio indicates a longer-term potential for contribution volatility. The AVR, described above, will tend to move closer to the LVR as a plan matures.

Contribution Volatility	June 30, 2018	June 30, 2019
1. Market Value of Assets	$351,415	$632,618
2. Payroll	796,211	1,130,210
3. Asset Volatility Ratio (AVR) [(1) / (2)]	0.4	0.6
4. Accrued Liability	$374,975	$679,096
5. Liability Volatility Ratio (LVR) [(4) / (2)]	0.5	0.6

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	0.00	N/A	0.3	0.4
06/30/2018	0.00	N/A	0.4	0.5
06/30/2019	0.00	N/A	0.6	0.6

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2019. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 19-month period from 12 months before the valuation date to 7 months after.

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability[1,2] @ 3.25%	Funded Status	Unfunded Termination Liability @ 3.25%
$632,618	$1,405,803	45.0%	$773,185	$949,879	66.6%	$317,261

[1] The hypothetical liabilities calculated above include a 5% mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A of the Section 2 report.

[2] The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.31% on June 30, 2019, and was 1.83% on January 31, 2020.

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

Participant Data

The table below shows a summary of your plan's member data upon which this valuation is based:

	June 30, 2018	June 30, 2019
Reported Payroll	$796,211	$1,130,210
Projected Payroll for Contribution Purposes	$863,721	$1,226,040
Number of Members		
Active	8	11
Transferred	0	1
Separated	0	0
Retired	0	0

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- None

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

	Benefit Group	
Member Category	Fire	
Demographics		
Actives	Yes	
Transfers/Separated	Yes	
Receiving	No	
Benefit Provision		
Benefit Formula	2.7% @ 57	
Social Security Coverage	No	
Full/Modified	Full	
Employee Contribution Rate	13.00%	
Final Average Compensation Period	Three Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	Standard	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	Indexed	
Special	Yes	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$500	
Survivor Allowance (PRSA)	No	
COLA	2%	

PEPRA Member Contribution Rates

The California Public Employees' Pension Reform Act of 2013 (PEPRA) established new benefit formulas, final compensation period, and contribution requirements for "new" employees (generally those first hired into a CalPERS-covered position on or after January 1, 2013). In accordance with Government Code Section 7522.30(b), "new members … shall have an initial contribution rate of at least 50% of the normal cost rate." The normal cost rate is dependent on the plan of retirement benefits, actuarial assumptions and demographics of the risk pool, particularly members' entry age. Should the total normal cost rate change by more than 1% from the base total normal cost rate, the new member rate shall be 50% of the new normal cost rate rounded to the nearest quarter percent.

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2021, based on 50% of the total normal cost rate as of the June 30, 2019 valuation.

		Basis for Current Rate		Rates Effective July 1, 2021			
Rate Plan Identifier	**Benefit Group Name**	**Total Normal Cost**	**Member Rate**	**Total Normal Cost**	**Change**	**Change Needed**	**Member Rate**
25848	Safety Fire PEPRA Level	26.044%	13.00%	26.13%	0.086%	No	13.00%

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

Section 2 may be found on the CalPERS website (www.calpers.ca.gov) in the Forms and Publications section

SCOTTS VALLEY FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383

Steve M. Kovacs
Fire Chief

Date: September 9, 2020

To: Board of Directors

From: Steve M. Kovacs, Fire Chief

Subject: Agenda Item 7.1 - POST-EMPLOYMENT HEALTH BENEFITS FOR LOCAL 3577 REPRESENTED UNIT AND CHIEF OFFICERS

Recommendation

To accept the statement of the actuarial impact upon future annual costs for proposed post-employment benefits.

Discussion

This item was first discussed on August 12, 2020, when the Board was asked to begin to consider proposed amendments to the post-employment benefits that would be available to employees in the Local 3577 bargaining unit and the District's Chief Officers. (See August 12, 2020 staff report for Agenda Item 8.5, attached as Exhibit 1.)

Currently, the District provides employees with a Minimum Employer Contribution (MEC) towards the health insurance premiums of both employees and annuitants. The MEC is adjusted by CalPERS and adjusts annually. For 2020, the MEC is $139,00 per month. In addition to providing the MEC, the District provides some employees with the opportunity to receive a supplemental retiree health care benefits, while others receive a $3,000 a year in contributions to a Voluntary Employee Benefit Association (VEBA) plan.

In order to provide greater uniformity in the benefits provided to District employees, staff has proposed eliminating the District contribution to the VEBA plan for employees in the Local 3577 bargaining unit. Instead, these employees would receive a supplemental post-employment contribution towards health insurance benefits. This supplemental post-employment contribution would also be available to the District's Chief Officers.

Pursuant to Government Code section 7507, the District secured the services of an Actuary, Will Kane of Total Compensation Systems, to provide a statement of the actuarial impact upon future annual costs, including normal cost and any additional accrued liability, associated with the proposed changes to District offered post-employment benefits. A copy of this statement was made available at the August 12, 2020 meeting. (See statement of actuarial impact, attached as Exhibit 2.) Mr. Kane is present to provide information as needed related to the statement of actuarial impact associated with the proposed change.

Scotts Valley Fire Protection District

Estimate of OPEB Liability Increase from Design Change

We were asked by Scotts Valley Fire Protection District to estimate the increase to its OPEB liability under a potential change to the OPEB benefit provided to pre-Medicare retirees.

Summary of Design Change

- Retirees who would otherwise only be eligible for the minimum employer contribution will be eligible for $1,000 of employer paid medical coverage per month (inclusive of the minimum).
- The $1,000 per month is payable only to Medicare age and for a maximum of 10 years (12 years for Battalion Chiefs).
- 10 years of service with SVFPD and retirement from SVFPD is required.

Estimated Liability Increase

The following table shows the estimated increase in OPEB liability, normal cost, and pay as you to cost, under the design change.

	GASB 75 Total OPEB Liability	GASB 75 Normal Cost	Average Annual Pay As You Go Cost 2021-2056
Prior to Design Change	$2,360,718	$55,518	$122,278
After Design Change	$2,987,751	$71,168	$155,284
Increase	**$627,033**	**$15,650**	**$33,006**

Future Cost and Funding

As eligible active employees retire under this new design, the District's annual cost to provide benefits will increase. As shown in the table above, the average annual payment to retirees (from 2021 through 2056 when the last currently eligible active employee will turn 65) is projected to be $33,006.

Our understanding is that the District plans to reallocate $3,000 per position to fund for this new benefit. With 22 positions, this will generate $66,000 per year to pay for future benefits. Based on a projection of the District's workforce, we believe that $66,000 per year will be sufficient to both pay for the current employees' $1,000 per month benefit in retirement as well as to account for the $1,000 per month benefit earned by future newly hired employees in these 22 positions.

Data, Assumptions, Methods, and Plan Provisions

The same data, assumptions, methods, and plan provisions were used for this analysis as were used for our June 30, 2019 OPEB valuation. Most notably:

- Valuation Discount Rate: 3.50%
- Annual Medical Cost Increases: 4.00%

Certain assumptions were added or changed in order to measure the design change:

- Per SVFPD direction, we assumed no future increases in the $1,000 per month benefit
- 100% of eligible participants are assumed to elect medical coverage under the new design

For purposes of assessing the adequacy of $66,000 per year of funding, we assumed 0% return on held assets. Any return generated would improve the funding adequacy.

Next Steps

Our understanding is that we will perform a full actuarial valuation as of June 30, 2020 which will incorporate this change, if approved. While we anticipate the measured change in liability due to Changes in Benefit Terms under that valuation to be similar in magnitude to the values shown above, that valuation will rely on updated census data and assumptions which will have an impact on the measured change.

Conclusion and Actuarial Certification

Please let us know if there are any questions regarding this letter report. I meet the qualification standards set forth by the American Academy of Actuaries to rend the opinion contained herein.

Respectfully Submitted,

Will Kane

Will Kane, FSA, EA
Consulting Actuary
Total Compensation Systems, Inc.
wkane@totcomp.com

MEMORANDUM OF UNDERSTANDING

Scotts Valley Fire Protection District

and

Chief Officers

July 1, 2020– June 30, 2021

Contents

MEMORANDUM OF UNDERSTANDING

Chief Officers

July 1, 2020– June 30, 2021

Article I. PREAMBLE

This Memorandum of Understanding (MOU) is an employment agreement between the Scotts Valley Fire Protection **District (District)** and the Battalion Chiefs **(Chief Officers)** of the Scotts Valley Fire Protection **District.** The purpose of this MOU is to establish compensation and benefits for the **Chief Officers.**

This Memorandum of Understanding is subject to Sections 3500-3510 of the Government Code of the State of California.

Article II. DEFINITIONS

CalPERS - California Public Employees Retirement System.

Chief Officers - The Battalion Chiefs of the Scotts Valley Fire Protection **District**, as qualified and designated in accordance with Section 6.01 and **District** Policy 1703.

District - The Scotts Valley Fire Protection **District** formed in 1958, under the California Health and Safety Code.

PEMHCA - Public Employees' Medical and Hospital Care Act – The PEMHCA authorizes the Board of Administration of the Public Employees' Retirement System to contract with carriers for health benefit plans for employees and annuitants, as defined.

PEPRA - The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members.

Article III. PREVAILING RIGHTS

The **District** agrees that all rights, privileges, and working conditions enjoyed by the employees at the present time, which are not included in this agreement, shall remain in full force, unchanged and unaffected in any manner, during the term of this Agreement unless changed by mutual consent.

The parties agree, that upon request by either party, to meet and confer on matters not in writing which may have been considered "rights" and which either party wishes, during the term of the Memorandum of Understanding, to modify.

Article IV. RESERVATION OF MANAGEMENT RIGHTS

The parties acknowledge that it is the exclusive right of the **District** to: generally govern the work of the **District** and conduct of its employees; to determine the mission of the **District**; to determine the procedures and standards of selection for employment and promotion of employees; to direct its employees; to assign work to employees in accordance with the requirements determined by the **District**; to establish work schedules; to determine the content of job classifications; to hire, promote or lay off employees for lack of work or funds; to suspend, discipline and discharge employees for proper cause; to expand or diminish services; to determine the methods, means and personnel by which **District** operations are to be conducted; and to establish, publish and modify **District** policies, regulations and standard operating procedures.

Article V. RULES AND REGULATIONS

Pursuant to State law, the parties acknowledge the **District**'s right to promulgate reasonable rules, regulations, policies, and standard operating procedures. **Chief Officers** agree to uphold and adhere to rules, regulations, and standard operating procedures. Both parties agree that rules, regulations, and policies effecting wages, hours, and other terms and conditions of employment shall be subject to the grievance procedure only in so far as a violation of the rules and regulations by the **District** occurs.

Any new or revised rules, regulations, or standard operating procedures developed by the **District** shall be subject to the meet and confer process in so far as they affect wages, hours and other terms and conditions of employment.

Article VI. QUALIFICATION & ASSIGNMENT

Section 6.01 Qualification

Battalion Chief 1: Shall meet all requirements of **District** Policies 1703, Battalion Chief Job Description and 1505, Career Development Guide, and shall pass the associated testing process.

Battalion Chief 2: Shall successfully complete of one year as Battalion Chief 1, and shall meet all requirements of **District** Policies 1703, Battalion Chief Job Description and 1505, Career Development Guide, and shall pass the associated testing process.

Battalion Chief 3: Requires the successful completion of one year as Battalion Chief 2, shall meet all requirements of **District** Policies 1703, Battalion Chief Job Description and 1505, Career Development Guide, and shall pass the associated testing process. Employees at the rank of Battalion Chief 3 shall complete 12 hours of continuing education each fiscal year; with courses approved by the Fire Chief. Employees who fail to complete requisite education will revert to the next lower position until requisite education is complete. Upon completion of requisite education the member shall be restored to the former step. Time at the lower step shall not be eligible for retroactive pay upon restoration to higher step.

Section 6.02 Duty Assignment

The Fire Chief shall assign work hours and duty tours as follows:

The **Chief Officers** shall work an average of fifty-six (56) hours per week, which represents a 48/96 work schedule.

Specific shift assignments will be made by the Fire Chief.

Chief Officers will be responsible for duty chief coverage on a 24-hour per day basis. This responsibility will be spread evenly between three positions.

Section 6.03 Assignment Provisions

(a) Uniforms & Equipment

The **District** will provide the **Chief Officers** with all **District**-required uniform elements and equipment.

The **District** will provide uniform and equipment replacements, and provide for uniform maintenance as needed, and as determined by the **District**.

All issued uniform items are the property of the **District** and will be returned to the **District** or paid for by the **Chief Officers** upon separation.

The **District** will report, for CalPERS Classic Members, the monetary value of the required uniform elements and equipment, uniform and equipment replacements, and uniform maintenance as special compensation on a quarterly basis not to exceed $1,200 annually.

(b) Vehicle

The **District** will provide the **Chief Officers** with a vehicle for the purpose of conducting **District** business and duty chief coverage.

All expenses for the operation and maintenance of the vehicle shall be borne by the **District**.

Article VII. COMPENSATION

Section 7.01 Salary

The **District** agrees to the salary rates reflected in the attached Salary Schedule (ATTACHMENT A) to be effective July 1, 2020.

The **District** agrees to maintain a minimum 15% pay step between Captain 3 and Battalion Chief 1, throughout the term of this MOU.

Section 7.02 Overtime

These positions are considered management positions and are exempt employees under the Fair Labor Standards Act.

Incident responses occurring other than scheduled hours shall be compensated at time and a half including overhead mutual aid assignments.

Normal meetings, such as monthly Board meetings, staff meetings and meetings within the scope of the assignment are not compensated and are considered as part of the job.

When additional off duty time is required for shift duty chief coverage, (for sick leave, workers compensation or vacation coverage beyond normally assigned coverage), the covering **Chief Officer** will be compensated at time and a half.

Callback of **Chief Officers**, to fill vacant shifts resulting from Vacation, Sick Leave, Educational Time Off, Workers' Compensation, Strike Team assignment, or other vacancies not stated, will be offered to **Chief Officers** first. In the event no **Chief Officer** are available for callback, an acting duty chief may be utilized.

Duty Chief movement shall not be restricted as long as the Duty Chief/Acting Duty Chief remains in close proximity to his/her assigned command vehicle, and within 15 minutes of travel to the District boundary.

Section 7.03 <u>Management Incentive Pay</u>

The **District** will provide Management Incentive Pay to each **Chief Officer** in the amount of $11,050 per year and shall be paid on a pro-rata basisover the 26 pay periods ($425 per 2-week payperiod).

This amount will not be considered part of the employee's base pay for purposes of calculating hourly rate or other related payroll calculations; however the entire amount will be reported to CalPERS as compensation.

Article VIII. LEAVES
Section 8.01 <u>Flextime</u>

Chief Officers shall be allowed to accrue Flextime for miscellaneous duties, not otherwise compensated (e.g. meetings, training etc.), at the discretion of the Fire Chief.

Chief Officers may utilize Flextime off only between the hours of 0700 and 1700, with approval of, and assumption of duty coverage by, the Fire Chief; provided there is no financial or operational impact to the **District**.

Section 8.02 <u>Vacation</u>

Vacation leave is a leave of absence with pay granted to **Chief Officers** under full-time employment of the **District**. This leave shall be granted based on the number of hours accumulated by the **Chief Officers**. The following also applies to vacation leave:

(a) Accrual

Chief Officersshall accrue vacation leave in accordance with **Table 1** below.

Table 1

Years of continuous service* (inclusive)	Vacation Accrual (2 week pay period)	24 Hr Shifts per Yr.	Maximum Accrual (hrs)
0-5	5.54	6	192
>5-10	8.31	9	264
>10-15	11.08	12	360
>15-20	12.00	13	384
>20	12.92	14	408

*complete years, as calculated from date of hire

(b) Approval

Vacation Leave shall be taken as approved by the Fire Chief.

Chief Officers are eligible to take whatever vacation hours they have earned, plus vacation hours earned through the end of the month preceding vacation.

Chief Officers may make a written request to the Fire Chief to take vacation hours not yet accrued. In the event the employee resigns or is terminated prior to the employee earning the vacation hours taken, the **District**will reconcile the unearned vacation on the final paycheck at the employee's final rate of pay.

A newly hired employee may not take vacation leave until completion of at least six (6) months of service. Thereafter, vacation is subject to approval of the Fire Chief, until completion of the probationary period.

Exceptions to Section VI, letters A and C must be requested in writing and submitted to the Fire Chief. The decision of the Fire Chief shall be final.

(c) Accrued Vacation Buy Back

The District agrees to buy back up to 72 hours of vacation, in 24-hour increments, at the employee's base hourly rate, once per year. An employee must submit a written request, by November 30th of each year and specify 24, 48 or 72 hours. Said Buy Back of Vacation Time will be paid on the second pay period in December. Paid Vacation Time will be deducted from the employee's accrued vacation balance.

Section 8.03 <u>**Sick Leave**</u>

Sick leave is hereby defined to mean the absence from duty of an officer or employee because of illness, injury, or exposure to a contagious disease not otherwise considered a Worker's Compensation matter.

(a) Accrual

Chief Officers shall accrue 11.08 hours of sick leave (without loss of pay) for each two-week period. Sick leave may accrue without limit.

(b) Buyback

Each employee who has had five (5) years full-time paid service with the **District** shall become eligible to receive payment for a portion of his/her unused sick leave beginning with accruals for the sixth (6) year. Each year, on or after the January 1st following the calendar year of accrual, each eligible employee shall be paid for 10% of his/her sick leave hours accumulated during the portion of the year he/she was eligible, subject to the following conditions:

(i) To be paid, the employee shall have used no more that ninety-six (96) hours of sick leave during the calendar year, and shall be in paid status or on leave of absence on the last day of the year.

(ii) The compensation rate used shall be double (two times) the employee's hourly rate, exclusive of overtime pay, received during the year of accrual.

(iii) All such payments shall be made within thirty-one (31) days of the last day of each year.

(iv) After deductions of hours paid, the remaining sick leave balances shall be accumulated to the credit of each employee and carried forward into subsequent years. This balance shall be available for the use of employee in the event of injury/illness; however, any balances remaining at separation shall be applied to PERS Section 20965 (Unused Sick Leave Credit).

(c) Retirement

Chief Officers who retire from **District** service are eligible to convert unused sick leave hours to pension credit in accordance with the Public Employees Retirement Law. If an employee has reached maximum service credit with CalPERS and is not eligible to convert sick leave hours to pension credit, then the employee will be permitted to cash out up to 5% of those sick leave hours that are not eligible for conversion, up to a maximum of 200 hours. Payment for sick leave hours will be at the employee's base hourly rate and does not include any differentials or other pays.

Section 8.04 Bereavement

Leave with pay shall be granted to employees in order that they may discharge the customary obligations arising from the death of a member of their immediate family. Immediate family shall mean an employee's child, adopted or stepchild, spouse, registered domestic partner, father, mother, stepparents, grandparents, grandchildren, brother, sister, or any of the above related to the spouse or domestic partner. For 40-hour employees, five (5) days of leave will be granted and shall be charged against sick leave balance. For 56-hour employees, two (2) 24-hour shifts will be granted and shall be charged against sick leave balance. The leave must be used in complete shifts.

However, it may be used in non-consecutive days. Additional leave with or without pay may be granted with the approval of the Fire Chief and charged to the employee's leave banks if available. Use of sick leave balance for bereavement shall not count against the 96-hour maximum use provision of **Section 8.03(b)** "Sick Leave Buy Back"

Section 8.05 Management Leave

Each **Chief Officers** will be granted two shifts (48 hours) of management leave per calendar year. Requests to use management leave must be approved in advance by the Fire Chief. For the term of this MOU, unused management leave shall be cashed out at the end of the calendar year at the **Chief Officer's** base hourly rate.

Article IX. BENEFITS

Section 9.01 Healthcare

The **District** agrees to provide medical, dental and life insurance through a cafeteria plan.

(a) Medical Insurance

(i) The District has elected to contract with the CalPERS to provide active employees and retirees with medical insurance coverage through the PEMHCA medical plans to.

(ii) As required by PEMHCA, the District shall pay directly to PERS the monthly Minimum Employer Contribution (MEC) towards the PEMHCA medial plan insurance premium for each active employee and retiree who elects to enroll in a PEMHCA medical plan.

(iii) The District agrees to pay CalPERS an amount of money on behalf of the active employee and his or her eligible dependents. The District paid amount, when combined with the MEC, shall be the equivalent of 97% of the monthly premium cost of the Bay Area PERS Choice PPO plan as the maximum allowable premium amount.

(iv) The **Chief Officers** shall have the ability to choose any District-sponsored health plan up to the maximum allowable premium amount.

(v) If a **Chief Officer** chooses a plan that exceeds the cost of the allowable premium amount, he/she shall pay the additional premium.

(b) Post Employment Health

(i) Upon retirement, the **District** shall continue to fund the MEC established by the PEMHCA. The retiree may participate in the then current **District**-sponsored health care plan with the balance of the premium to be funded by the retiree.

(ii) If a **Chief Officer** retires from the **District** on or after January 1, 2021 with 10 or more years of **District** service and that employee is determined to be an "Annuitant" of the **District** as that term is defined by the PEMHCA, the **District** will provide that Annuitant with a monthly supplemental contribution towards CalPERS health insurance benefits. The amount of any supplemental contribution will be equal to the premium cost for annuitant only coverage, less any MEC paid by the **District**, except that the total of any MEC and supplemental contribution provided by the District shall not exceed $1,000 a month.

(iii) If a **Chief Officer** meets the criteria to be eligible to receive a monthly supplemental contribution towards health insurance benefits, then the **District's** payment of any monthly supplemental contribution shall continue until the earlier of: (1) the month that includes date the Annuitant becomes eligible to participate in a Medicare plan; (2) the Annuitant's receipt of the equivalent of twelve (12) years' worth of contributions; or (3) the Annuitant's death. In no event will an Annuitant's spouse, surviving spouse or surviving family member be eligible to receive any supplemental contribution payment.

(iv) If upon service retirement or anytime within the eligible reimbuesement period, the Annuitant elects to cancel participation in a CalPERS health insurance plan, and enroll in another health plan, the District will continue to reimburse Annuitant 100% of the employee-only premium of the new health plan, up to the $1,000 per month maximum contribution. The Annuitant must provide the District with proof of enrollment and premium cost annually, typically after open enrollment and/or prior to the start of the new calendar year.

Section 9.02 Life Insurance

The **District** agrees to pay the full cost of a $75,000 term life insurance policy for each **Chief Officer**. The carrier shall be selected by the District.

Section 9.03 Dental Plan

The **District** shall pay 100% per month during the term of this agreement toward the **District** sponsored dental plan. Said plan shall provide for benefit coverage for the elgible **Chief Officer** and their qualified dependents

Section 9.04 Public Employees Retirement System (CalPERS)

(a) Classic Employees

The Retirement Program provided by the **District** shall be through the Public Employees' Retirement System.

The **Chief Officers** who are classified as local firefighter members in accordance with Section 20433 of said Retirement Law and are provided benefits under Section 21363.1 of the California Government Code, 3% at age 55 Full.

The following additional provisions of the Public Employees' Retirement Law shall apply:

- Section 20042 (One-year final compensation).
- Section 20965 (Unused sick leave credit - 8 hours = 1 day).
- Section 21574.5 (Indexed Level of 1959 Survivor Benefits)

(b) Public Employment Pension Reform Act (PEPRA)

For employees hired 1/1/13 or later and who ARE NOT a member of the California Public Employees Retirement System (CalPERS) or a reciprocal agency, or those who have been separated from a public agency which contracts with CalPERS or a reciprocal agency for six months or more, the retirement benefit shall be:

- 2.7% at age 57; 3 year final compensation

The required employee contribution rate as a percentage of payroll shall be:

- At least 50% of the normal cost of the retirement benefit as calculated by CalPERS. Through June 30, 2021 = 13% of Reportable Compensation

Article X. SAVINGS CLAUSE

If any article or Section of this Memorandum of Understanding should be found invalid, unlawful or unenforceable by reason of any existing or subsequent enacted legislation or by judicial authority, all remaining Articles and Sections of this Memorandum of Understanding shall remain in full force and effect for the duration of the MOU. In the event of invalidation of any Article or Section, the **District** and the **Chief Officers** agree to meet within 30 calendar days of such invalidation for the sole purpose of meeting and conferring upon said Article or Section.

This MOU constitutes a full and complete agreement between the parties on all matters within the scope of representation.

Article XI. TERM OF AGREEMENT

The term of this Memorandum of Understanding is from July 1, 2020 to and inclusive of June 30, 2021. Negotiations for a successor Memorandum of Understanding shall begin at the request of either party between January and June of 2021.This MOU shall remain in effect until a new MOU is mutually agreed upon or the impasse process has been completed.

Article XII. SIGNATURES

The parties have met and conferred in good faith regarding wages, hours and other terms and conditions of employment for the **Chief Officers**, have freely exchanged information, opinions and proposals and have reached agreement on all matters relating to the employment conditions and employer-employee relations covering such employees.

This MOU shall be presented to the Scotts Valley Fire Protection **District** Board of Directors, as the governing board of the **District**, as the joint recommendations of the undersigned for salary and employee benefit adjustments for the period commencing July 1, 2020 and ending June 30, 2021.

Joe Parker, Board Negotiator Scotts Valley Fire Protection District	Date	**Ron Whittle,** Battalion Chief Scotts Valley Fire Protection District	Date
Robert L. Campbell Board Negotiator Scotts Valley Fire Protection District	Date	**ButchTheilen,** Battalion Chief Scotts Valley Chief Fire Protection District	Date
		Jeff McNeil, Battalion Chief Scotts Valley Fire Protection District	Date

MEMORANDUM OF UNDERSTANDING

Chief Officers

July 1, 2020 – June 30, 2021

ATTACHMENT A

Salary Schedule

Start Date	7/1/2019			7/1/2020
End Date	6/30/2020			6/30/2021
Position	17/20 Contract Basis			+4%
Battalion Chief Step 1	$12,678			$13,185.12
Battalion Chief Step 2	$13,059			$13,581.36
Battalion Chief Step 3	$13,451			$13,989.04

MEMORANDUM OF UNDERSTANDING
Scotts Valley Fire Protection District
and
IAFF Local 3577
July 1, 2020– June 30, 2021

Contents

Article I. PREAMBLE

This agreement is entered into by and between the Scotts Valley Fire Protection **District,** hereinafter referred to as **District,** and the Scotts Valley Firefighters I.A.F.F. Local 3577, consisting of Captains, Engineers and Firefighters, hereinafter referred to as **Union**.

This Memorandum of Understanding is subject to Sections 3500-3510 of the Government Code of the State of California.

Article II. DEFINITIONS

CalPERS – *California Public Employees Retirement System – an IRS401(a) defined benefit retirement plan,*

District – *The Scotts Valley Fire Protection* ***District*** *formed in 1958, under the California Health and Safety Code.*

Employee – *Persons employed on a full time basis by the Scotts Valley Fire Protection* ***District***

ETO – *Educational Time Off*

FLSA – *Fair Labor Standards Act - The FLSA establishes minimum wage, overtime pay, recordkeeping, and youth employment standards affecting employees in the private sector and in Federal, State, and local governments.*

Member – *An employee of the Scotts Valley Fire Protection* ***District*** *represented by the International Association of Firefighters (I.A.F.F.) Local 3577 (Union).*

PEMHCA - *Public Employees' Medical and Hospital Care Act – The PEMHCA authorizes the Board of Administration of the Public Employees' Retirement System to contract with carriers for health benefit plans for employees and annuitants, as defined.*

PEPRA - *The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members.*

Union – *International Association of Firefighters (I.A.F.F.), Local 3577.*

Unit - *The collective bargaining unit consisting of employees in the job classifications of Firefighters, Captains, and Engineers. The Unit does not include employees in any other job classifications (e.g., Paid Call Firefighters, Chief Officers, non-sworn personnel, etc.)*

VEBA - *Voluntary Employee Benefit Association, administered by California Government Voluntary Employee Benefit Association (CALGOVEBA). The VEBA is a savings program contracted to help employees plan for post-employment healthcare expenses.*

Article III. RECOGNITION

For purposes of this agreement, "Employees" refers to persons employed on a full-time basis by the **District** in the **Unit**. Membership in the **Union** is voluntary to all employees in the **Unit**. The **District** hereby recognizes that, for purposes of bargaining with respect to wages, hours and working conditions, the **Union** is the sole and exclusive representative of all **Unit** members within the **District**.

Article IV. PREVAILING RIGHTS

The **District** agrees that all rights, privileges, and working conditions enjoyed by the **Unit** at the present time, which are not included in this agreement, shall remain in full force, unchanged and unaffected in any manner, during the term of this Agreement unless changed by mutual consent.

The parties agree, that upon request by either party, to meet and confer on matters not in writing which may have been considered "rights" and which either party wishes, during the term of the Memorandum of Understanding, to modify.

Article V. RESERVATION OF MANAGEMENT RIGHTS

The parties acknowledge that it is the exclusive right of the **District** to: generally govern the work of the **District** and conduct of its employees; to determine the mission of the **District**; to determine the procedures and standards of selection for employment and promotion of employees; to direct its employees; to assign work to employees in accordance with the requirements determined by the **District**; to establish work schedules; to determine the content of job classifications; to hire, promote or lay off employees for lack of work or funds; to suspend, discipline and discharge employees for proper cause; to expand or diminish services; to determine the methods, means and personnel by which **District** operations are to be conducted; and to establish, publish and modify **District** policies, regulations and standard operating procedures.

With respect to job classifications, the **District** agrees to meet and confer only if the **District** intends to modify the minimum requirements for Engineer, Fire Captain, or education requirements for Firefighter I or Firefighter II or Firefighter III.

Article VI. RULES AND REGULATIONS

Pursuant to State law, the parties acknowledge the **District**'s right to promulgate reasonable rules, regulations, policies, and standard operating procedures. The **Union** agrees that its members shall comply in full with these rules and regulations and standard operating procedures. Both parties agree that rules, regulations, and policies effecting wages, hours, and other terms and conditions of employment shall be subject to the grievance procedure only in so far as it is alleged that violation of the rules and regulations by the **District** occurred.

Any new or revised rules, regulations, or standard operating procedures developed by the **District** shall be subject to the meet and confer process in so far as they affect wages, hours and other terms and conditions of employment.

Article VII. SHIFT HOURS, STAFFING AND OFF-DUTY RESPONSE

Section 7.01 Staffing

The **District** and the **Union** agree that staffing levels are directly related to the safety of personnel and level of service that the **District** is able to provide. The **District** and the **Union** endeavor to work closely to provide the best possible service while providing for the safety of personnel. The **District** and **Unit** members will comply with the OSHA requirements for "2 in, 2 out" for entry into environments that are Immediately Dangerous to Life and Health (IDLH).

On-duty company staffing will be two (2) companies, typically one at each station. On-duty staffing will be no less than two (2) qualified personnel per company, one of whom shall be a Captain or Acting Captain and a minimum of Firefighter Step 2. The minimum number of companies shall be set by the **District**. A company is defined as a staffed response resource typically assigned to a fire station ready to respond to incidents.

The Administrative Captain position will not be used to replace minimum company staffing due to Vacation, Sick Leave, Workers Compensation or Educational Time Off, during their 4/10 work schedule.

The **District** needs to retain the flexibility for unusual and/or disaster circumstances for purposes of off duty response when the primary companies are committed. Specific assignments for response will be made by the Fire Chief or his/her designee, taking into account the nature of the response, safety of personnel and need for additional response resources.

While this section establishes minimum levels of company staffing, the **District** may exceed the minimum staffing levels to provide a higher level of service.

Section 7.02 Call-Back, Off Duty Response, Overtime

(a) Regularly Scheduled Overtime – Shift Employees

Shift employees are regularly scheduled to work 192 hours in each 24-day work period. The **District** has adopted a 24-day work period under Section 7(k) of the **FLSA**. Under Section 7(k), employees are eligible to receive overtime compensation for hours worked in excess of 182 hours in each 24-day work period. Employees who work all regularly scheduled hours in the work period will receive up to 10 hours of FLSA overtime premium for those regular scheduled hours worked between 182 and 192. Except for Educational Time Off, paid leave hours, such as vacation or sick leave, will not be included in calculating hours worked for purposes of receiving any overtime premium for regularly scheduled overtime hours.

(b) Voluntary Overtime – Shift Employees

Overtime assignments will be offered to employees in accordance with SOP 1103 and 1103A. Employees who accept such overtime assignments will be paid at 1.5 times the "regular rate of pay" (as that term is defined under the **FLSA**) for all hours worked in the assignment.

(c) Call Backs and Off-Duty Incidents – Shift Employees

Employees who are called-back to work by the District after having completed a regular schedule or who are called in to work by the District on a scheduled day off will be paid for all hours worked in connection with that call back, subject to a two-hour minimum. For purposes of calculating an employee's response to a call-back or off-duty response, the employee's hours worked will begin upon being dispatched and will end upon being released from duty and will include reasonable travel time to return to their home.

Employees will be called back and/or called to an off-duty incident in accordance with SOP 1103 and 1103A, except that all employees are subject to mandatory recall in times of emergency.

Article VIII. EDUCATION

Section 8.01 Educational Time-Off (ETO)

Each employee will be granted up to thirty (36) hours of ETO per fiscal year. The purpose of the time is for job related classes as approved by the fire chief or designee. The Fire Chief, or designee, will have the ability to deny or authorize requests based on fiscal impacts, operational impacts and the specific request. Hours spent on ETO will be included as hours worked when calculating eligibility for any overtime premium for regularly scheduled overtime hours.

Use of ETO shall be subject to the approval of the Fire Chief, as specified in **Section 10.01(b)**.Once granted ETO shall not be rescinded, except in the case of emergency. In the event that ETO is rescinded, the **District** will be responsible for reimbursing the employee for any related expenses.

Section 8.02 Continuing Education Reimbursement

Each employee will be eligible to receive up to $1,000 in education expense reimbursement each fiscal year, regardless of rank.

The **District** will reimburse employees for continuing education related expenses that are associated with job related training, subject to the approval of the Fire Chief. The employee must attend and/or complete the educational program associated with the training to be entitled to education expense reimbursement.

Article IX. COMPENSATION

Section 9.01 Salaries

Monthly base salaries shall be in accordance with ATTACHMENT A.

Movement from one pay step to the next in the series is subject to the employee successfully passing a **District** designed and administered test.

Unit members in top step Captain, Engineer and Firefighter category shall complete 12 hours of qualifying fire service education each fiscal year, relative to their position. Online training such as found on Target Solutions is acceptable, provided it is not considered mandatory training. **Unit** members must provide proof of successful completion, with passing grade, and the number of training hours. **Unit** members who fail to complete requisite education will revert to the next lower pay step until requisite education is complete. Upon completion of requisite education the **Unit**

member shall be restored to the former pay step. Time at the lower step shall not be eligible for retroactive pay upon restoration to higher step.

Section 9.02 Pay Rate Calculation

For purposes of administering this MOU, except where otherwise indicated, the following standard rate calculations will apply to shift (or 56-hour) employees:

- Straight time rate = base monthly salary x 12 ÷ 2912.
- Pay rate = base monthly salary + any fixed monthly differential(s)
- Annual rate = Pay rate x 12
- Biweekly pay period rate = Annual rate ÷ 26
- Hourly rate or 56-hour rate = Biweekly rate ÷ 112 (2 x 56 hour weeks)
- Per shift rate, 24 hour shift = Hourly rate x 24

Section 9.03 Uniform Allowance

The **District** will provide employees with all **District** required uniform elements and equipment. The **District** will also provide uniform and equipment replacements, and provide for uniform maintenance and cleaning as needed, as determined by the **District**.

The **District** will report, for CalPERS Classic Members, the monetary value of the required uniform elements and equipment, uniform and equipment replacements, and uniform maintenance and cleaning as special compensation on a quarterly basis not to exceed $1,200 annually.

All issued uniform items are the property of the **District** and will be returned to the **District** or paid for by the Employee upon Employee termination.

Section 9.04 Work Out of Classification

The **District** and the **Union** agree that it is desirable that a highly trained, professional fire prevention and fire suppression force should be developed and maintained. To that end, it is agreed that Employees should be well trained for the work they are expected to perform and that no employee should be ordered to do work for which the employee is not qualified or which is not, in the judgment of the Fire Chief, related to the **District**'s responsibilities with respect to fire prevention or suppression, including improvement or maintenance of the **District**'s property.

The Fire Chief or designate shall be responsible for appointing personnel to acting positions, except in cases of emergency, when the duty-chief may do so.

(a) Acting Captain Differential

If an employee meets the requirements of the **District**'s Career Development Policy, he or she shall be paid for the time served as an acting captain as if he or she had been promoted to the grade of Captain.

(b) Acting Battalion Chief

If an employee meets the requirements of the **District**'s Career Development Policy, he or she shall be paid for the time served as an acting battalion chief as if he or she had been promoted to the grade of Battalion Chief.

Section 9.05 <u>Paramedic Program</u>

The **District** will pay a Paramedic incentive of 10% of Firefighter 2 base monthly salary for all Firefighters and Engineers working as Paramedics. Fire Captains who maintain Paramedic licensure following promotion to Fire Captain will be paid a differential of 3% of Firefighter 2 base monthly salary. Fire Captain Paramedics may revert to Fire Captain at any time.

(a) Qualification Standards

All **Unit** members shall be eligible to receive Paramedic Incentive as provided in this Section. Paramedics promoted to the rank of Fire Captain may maintain Paramedic licensure upon promotion to the Fire Captain position. The Fire Captain Paramedic will not be assigned as the only Paramedic on a company, except under extreme circumstances.

All employees working as Paramedics under the **District** program shall be accredited, must maintain all required certifications, and complete all related training and reviews including a State license and Santa Cruz County Emergency Medical Technicians Paramedic accreditation. All Paramedics are subject to clinical review by the Santa Cruz County Emergency Medical Director and Quality Assurance oversight by a **District** representative. Paramedics are responsible for maintaining all necessary standards and may be removed from the Paramedic program and/or subject to any other disciplinary action for failure to maintain Paramedic standards.

(b) Program Participation

All employees, working as Paramedics must stay in the Paramedic program until promoted to Captain, attrition permits their position to be filled, or the **District** is able to train or hire a replacement. Paramedics may stay in the program after promotion to Captain until the **District** fills their Paramedic position.

Paramedics may request to be relieved from the Paramedic program to revert to a position as a Firefighter, Engineer or Captain, depending upon their current rank, but may not leave the Paramedic program until the **District** has obtained a replacement. The original eight (8) employees qualified to become Paramedics at the time of implementation of the **District**'s Paramedic program on January 1, 2003 will revert to a position as a Firefighter, Engineer or Captain, depending upon their current rank, if they are disqualified from the Paramedic program or request to leave the program. However, all subsequent Paramedics are subject to disciplinary action up to and including termination if they are disqualified or request to leave the Paramedic program.

(c) Paramedic Training

The **District** will provide continuing education to assist Paramedics in maintaining the Paramedic qualification standards. Paramedics must obtain permission from the **District** to attend any training related to maintaining Paramedic standards that is not provided by the **District** itself. The **District** will pay the costs for this training, which shall not count against any education expense reimbursement available under **Article VIII**. The **District** will also pay overtime compensation if necessary for Paramedic training.

Section 9.06 Hazardous Materials Assignment

Upon administrative assignment, unit members assigned Haz-Mat duties established by the Fire Chief shall receive special assignment pay equal to 5% of their base monthly salary, and not including any differentials, while so assigned (not to exceed $475 per month). Removal from this administrative assignment shall not be cause for a grievance nor be considered disciplinary action.

Section 9.07 Administrative Captain

The Administrative Captain is an administrative assignment by the Fire Chief. Removal from this assignment shall not be cause for a grievance nor be considered disciplinary action.

The Administrative Captain will be scheduled to regularly work a 4/10 work schedule but will remain on an FLSA twenty-four day 7(k) work period. When performing the duties of an Administrative Captain, their hourly rate will be calculated as follows: Hourly rate = Biweekly rate ÷ 80 (2 x 40 hour weeks).

The Administrative Captain shall receive a special assignment pay equal to 4% of their current base monthly salary (Captain 1, 2 or 3), before differentials, while so assigned. In no event will the special assignment pay provided, for serving as the Administrative Captain, exceed five hundred dollars ($500) per month.

The Administrative Captain will be permitted to observe the same twelve (12) District holidays observed by other administrative personnel. The Administrative Captain will be provided with up to eight (8) hours of paid time off on each holiday. If the Administrative Captain is required to perform work on a holiday, the Administrative Captain will be paid for any such time work at the applicable overtime rate in lieu of receiving any holiday pay. The Administrative Captain will not receive holiday pay and overtime pay for the same hour.

The Administrative Captain position will not be used to replace minimum company staffing due to Vacation, Sick Leave, Workers Compensation or Educational Time Off, during their 4/10 work schedule.

The Administrative Captain must receive advance approval from the Fire Chief or designee before working any overtime in the Administrative Captain assignment. The Administrative Captain will receive overtime compensation for hours worked in excess of 40 in the calendar week. This overtime will be paid at 1.5 times the Administrative Captain's regular rate of pay.

Subject to the approval of the Fire Chief or designee, the Administrative Captain may be eligible to work a voluntary overtime shift assignment that does not conflict with the Administrative Captain's regularly scheduled 40-hour a week assignment. In addition, the Fire Chief may direct the Administrative Captain to work a shift assignment, call back, or off-duty response when in the Fire Chief's judgment such work is necessary to provide services to the community. If the Administrative Captain volunteers for or is required to work a shift-assignment, the Administrative Captain will be paid at 1.5 times the shift (or 56 hour) rate.

Article X. LEAVES

Section 10.01 Vacation

(a) Accrual

All **Unit** members shall accrue vacation at rates determined by years of service, workweek, and seniority.

(i) Accrual rates for employees shall be as indicated by **Table 1 and Table 2.** Vacation accrual stops upon reaching the specified maximum accrual and will commence once vacation hours drop below the maximum accrual.

Table 1

Years of continuous service* (inclusive)	Vacation Accrual Rate (2 week pay period)	24 Hr Shifts per Yr.	Maximum Accrual (hrs)
0-5	5.54	6	192
>5-10	8.31	9	264
>10-15	11.08	12	360
>15-20	12.00	13	384
>20	12.92	14	408

*complete years, as calculated from Full-Time date of hire

(ii) Except in cases of emergency, an employee may not work for the **District** during a scheduled vacation day.

(iii) An employee who becomes ill or is hospitalized while on vacation and provides a written statement from his/her physician may have the period of the illness charged against sick leave and not vacation.

(b) Approval

Use of vacation/ ETO shall be subject the following procedures:

(i) Up to two (2) people per shift may be off on vacation / ETO under the following conditions:

1) All requests for vacation / ETO leave for the first person per shift shall be submitted using the **District** staffing software no less than 96 hours prior to the start of the requested leave. The first leave request will be granted by the Fire Chief or designee regardless of other **Unit** members who may be on sick leave or workers' compensation leave.

2) All requests for vacation / ETO leave for the second person per shift shall be submitted using the **District** staffing software no less than 14 days prior to the start of the requested leave. In the event that there is anyone else off, on any form of leave, at any time up to 14 days before the requested leave, the Fire Chief may in the Fire Chief's sole discretion grant or deny the leave request.

Exception: A person may submit a request for vacation / ETO leave with less than 96 hours, or less than 14 days (whichever applies). However, such requests shall only be granted or denied by the Fire Chief or designee as provided above.

(ii) All requests for vacation / ETO leave, for the Administrative Captain, must be requested using the **District** staffing software and approved by the Fire Chief or designee.

(c) Short Term Vacation

Requests for short-term vacation (less than a 24-hour shift) shall be a minimum of two (2) hours. Short-term vacation between 07:00 and 17:00 hours will be limited to a maximum of 12 hours per calendar year. Short-term vacation between 17:00 and 07:00 will not have a maximum. The Fire Chief or designee will evaluate the impacts of the request based on the specific request, fiscal impacts, and operational considerations. The Fire Chief will then authorize or deny the request based on these considerations. Short-term vacation requests shall requested using the **District** staffing software not less than 96 hours before the requested date of use.

(d) Accrued Vacation Buy Back

The **District** agrees to buy back up to 72 hours of vacation, in 24-hour increments, at the employee's straight time rate, once per year. An employee must submit a written request, by November 30th of each year and specify 24, 48 or 72 hours. Said Buy Back of Vacation Time will be paid on the second pay period in December. Paid Vacation Time will be deducted from the employee's accrued vacation balance.

The Department of Labor, which administers the Fair Labor Standards Act (FLSA), has opined that vacation buy-back is not included in the FLSA regular rate of pay. Therefore, the **District** will not include these payments in the regular rate of pay.

(e) Payment on Separation

Upon separation from employment, **Unit** members will be paid for accrued and unused vacation hours at their straight time rate. In accordance with Article XI below, such payment may be made in the form of a contribution to the employee's VEBA account, as payment to the employee or some combination of the two depending on the VEBA terms that apply.

Section 10.02 **<u>Sick Leave</u>**

Sick leave is hereby defined to mean the absence from duty of an officer or employee because of illness, injury, or exposure to contagious disease not otherwise designated as, or qualifying for worker's compensation benefit.

(a) Accrual

The District shall provide 11.08 hours of sick leave (without loss of pay) per two-week pay period. Sick leave may accrue without limit.

(b) Sick Leave Upon Separation

If a **Unit** member retires from the **District** for the purpose of retiring from CalPERS, then their accrued and unused sick leave balance may be converted to service credit as allowed under the terms of the District's contract with CalPERS and the Public Employment Retirement Law, including any amendments to that law. Unused sick leave hours will not be cashed out. Sick leave may not be used to delay a **Unit** member's effective date of service or disability retirement.

Section 10.03 Bereavement

Leave with pay shall be granted to employees in order that they may discharge the customary obligations arising from the death of a member of their immediate family. Immediate family shall mean an employee's child, adopted or stepchild, spouse, registered domestic partner, father, mother, stepparents, grandparents, grandchildren, brother, sister, or any of the above related to the spouse or domestic partner. For 40-hour employees, forty (40) hours of leave will be granted and shall be charged against sick leave balance. For 56-hour employees, two (2) 24-hour shifts will be granted and shall be charged against sick leave balance. The leave must be used in complete shifts. However, it may be used in non-consecutive days. Additional leave with or without pay may be granted with the approval of the Fire Chief and charged to the employee's leave banks if available.

Article XI. BENEFITS

Section 11.01 **<u>Healthcare</u>**

(a) Medical Insurance

(i) The District has elected to contract with CalPERS to provide active employees and retirees with healthcare coverage through the PEMHCA medical plans.

(ii) As required by PEMHCA, the District shall pay directly to CalPERS the monthly Minimum Employer Contribution (MEC) towards the PEMHCA medical plan insurance premium for each active employee and retiree who elects to enroll in a PEMHCA medical plan.

(iii) The District agrees to pay CalPERS an amount of money on behalf of the active employee and his or her eligible dependents. The District paid amount, when combined with the MEC, shall be the equivalent of 97% of the monthly premium cost of the Bay Area PERS Choice PPO plan as the maximum allowable premium amount.

(b) Post-Employment Health - VEBA

(i) The **District** agrees to establish a Voluntary Employee Benefit Association (VEBA) through the California Government Voluntary Employee Benefit Association (CALGOVEBA), which is intended to assist employees with planning for retirement health care expenses. All employees who are members of the Union are eligible to participate in the VEBA. Union employees' participation in the VEBA is mandatory and irrevocable, except as otherwise provided in this sub-section.

(ii) Beginning with the pay period that includes July 1, 2020, the District will cease any District contribution to the VEBA. On or after this date, all future contributions shall be employee contributions in the form of a vacation balance transfer at retirement.

(iii) All elective payments made to the VEBA on employee's behalf shall be irrevocably paid to the California Government Voluntary Employee Benefit Association 501(c)(9) Trust. BAA Capital Advisors Inc. is the Trust Administrator.

(iv) The Union agrees to indemnify and hold the District harmless against any claims, lawsuits, demands, penalties, or liability of any kind whatsoever that may arise against the District from the employee's participation in the VEBA, including taxes and liabilities relating to the VEBA's exempt status as a 501(c)(9) trust.

(v) Employees may form sub-groups divided by rank or years of service. The sub-groups can determine the % of vacation balance transfer to the VEBA at retirement. Sub-groups can be added, deleted, or changed annually by the Union. Two employees shall be the minimum for a sub-group. Sub-groups will have the option to allocate 0%, 50% or 100% of their vacation balance to the VEBA at retirement. For employees not in a sub-group, the first employee to retire during the calendar year will determine the vacation allocation percentage to VEBA for that calendar year.

(vi) Employees who are Military Veterans are not required to participate in the VEBA.

(c) Post-Employment - Medical

(i) Upon retirement, the **District** shall continue to contribute the MEC (Minimum Employee Contribution) established by the PEMHCA to those individuals who are determined to be "Annuitants" of the District as defined under the PEMHCA. The Annuitant may participate in the then current District-sponsored health care plan in accordance with any restrictions provided by CalPERS. Any premium balance remaining for the plan selected by the Annuitant shall be funded by the Annuitant.

(ii) If a **Unit** member retires from the **District** on or after January 1, 2021 with 10 or more years of **District** service and that employee is determined to be an "Annuitant" of the **District** as that term is defined by the PEMHCA, the **District** will provide that Annuitant with a monthly supplemental contribution towards CalPERS health insurance benefits. The amount of any supplemental contribution will be equal to the premium cost for annuitant only coverage, less any MEC paid by the **District**, except that the total of any MEC and supplemental contribution provided by the District shall not exceed $1,000 a month.

(iii) If the **Unit** member was enrolled in a **District** retirement plan at the time of retirement, and otherwise meets the criteria to be eligible to receive a monthly supplemental contribution towards health insurance benefits, then the **District's** payment of any monthly supplemental contribution shall continue until the earlier of: (1) the month that includes date the Annuitant becomes eligible to participate in a Medicare plan; (2) the Annuitant's receipt of the equivalent of ten (10) years' worth of contributions; or (3) the Annuitant's death. In no event will an Annuitant's spouse, surviving spouse or surviving family member be eligible to receive any supplemental contribution payment.

(iv) If upon service retirement or anytime during retirement, the Annuitant elects to cancel participation in a CalPERS health insurance plan, and enroll in another health plan, the **District** will continue to reimburse Annuitant 100% of the employee-only premium of the new health plan, up to the $1,000 per month maximum contribution. The Annuitant must provide the District with proof of enrollment and premium cost annually, typically after open enrollment and/or prior to the start of the new calendar year.

Section 11.02 **Life Insurance**

The **District** agrees to pay the full cost of a $55,000 term life insurance policy for each member. The carrier shall be selected by the **District**.

Section 11.03 **Dental Plan**

The **District** shall pay 100% per month during the term of this agreement toward the **District** sponsored dental plan for eligible **Unit** members. Said plan shall cover member and his/her qualified dependents. Eligibility shall be determined by the terms of the plan.

Any modifications to the existing plan, which substantially reduce benefits, shall be a meet and confer matter. The annual maximum is $1,500 per patient for dental care and the lifetime orthodontic maximum is $3,000 per patient.

Upon request by the **District**, the **Union** agrees to meet and confer on the subject of the **District**'s contribution towards the Dental program.

Section 11.04 Vision Plan

During the term of this agreement, the **District** shall pay 100% of the premium costs for eligible **Unit** members who elect to participate in the District sponsored vision plan for eligible **Unit** members. Said plan shall cover the member and the member's qualified dependents. Eligibility shall be determined by the terms of the plan.

Section 11.05 Public Employees Retirement System (CalPERS)

(a) Classic Employees

The retirement program provided by the Employer shall be through the California Public Employees Retirement System, 3% at 55 formula.

The following additional provisions of the Public Employees Retirement Law shall apply to all employees:

- Section 20042 One-year final compensation
- Section 20965 Credit for unused sick leave; 8 hours equals 1 day
- Section 21574.5 (Indexed Level of Survivor 1959 Benefits)

(b) Public Employment Pension Reform Act (PEPRA)

For employees hired 1/1/13 or later and who ARE NOT a member of the California Public Employees Retirement System (CalPERS) or a reciprocal agency, or those who have been separated from a public agency which contracts with CalPERS or a reciprocal agency for six months or more, the retirement benefit shall be:

- 2.7% at age 57; 3-year final compensation

The required employee contribution rate as a percentage of payroll shall be:

- At least 50% of the normal cost of the retirement benefit as calculated by CalPERS. Through June 30, 2021 = 13% of Reportable Compensation.

Article XII. SAVINGS CLAUSE

If any article or Section of this Memorandum of Understanding should be found invalid, unlawful or unenforceable due to any existing or subsequent enacted legislation or by judicial authority, all remaining Articles and Sections of this Memorandum of Understanding shall remain in full force and effect for the duration of the MOU. In the event of invalidation of any Article or Section, the **District** and the **Union** agree to meet within 30 calendar days of such invalidation for the sole purpose of meeting and conferring upon said Article or Section.

This MOU constitutes a full and complete agreement between the parties on all matters within the scope of representation.

Article XIII. GRIEVANCE PROCEDURE

Scotts Valley Fire Protection **District** Policy 901 dated March 23, 1998 is hereby referenced as the grievance procedure for grievances of disciplinary action. Scotts Valley Fire Protection **District** Policy 902 dated June 9, 1999 is hereby referenced as the grievance procedure for all other grievances.

Article XIV. TERM OF AGREEMENT

The term of this Memorandum of Understanding is from July 1, 2020 to and inclusive of June 30, 2021.Negotiations for a successor Memorandum of Understanding shall begin at the request of either party between January and June of 2021. This MOU shall remain in effect until a new MOU is mutually agreed upon or the impasse process has been completed.

Article XV. SIGNATURES

The parties have met and conferred in good faith regarding wages, hours and other terms and conditions of employment for the employees for which the **Union** is the recognized representative, have freely exchanged information, opinions and proposals and have reached agreement on all matters relating to the employment conditions and employer-employee relations covering such employees.

This MOU shall be presented to the Scotts Valley Fire Protection **District** Board of Directors, as the governing board of the **District**, as the joint recommendations of the undersigned for salary and employee benefit adjustments for the period commencing July 1, 2020 and ending June 30, 2021.

Joe Parker Board Negotiator Scotts Valley Fire Protection District	Date	**Dennis Petteys** President, Scotts Valley Firefighters I.A.F.F. Local 3577	Date
Robert L. Campbell Board Negotiator Scotts Valley Fire Protection District	Date	**Andrew LoFranco** Vice-President, Scotts Valley Firefighters I.A.F.F. Local 3577	Date

ATTACHMENT A

Salary Schedule

Start Date	7/1/2019	7/1/2020
End Date	6/30/2020	6/30/2021
Position	Contract Basis	+ 4% - All Positions
Firefighter - Step 1	$7,074	$7,356.96
Firefighter - Step 2	$7,427	$7,724.08
Engineer - Step 1	$7,801	$8,113.04
Engineer - Step 2	$8,405	$8,741.20
Engineer - Step 3	$8,826	$9,179.04
Engineer - Step 4	$9,267	$9,637.68
Captain - Step 1	$10,193	$10,600.72
Captain - Step 2	$10,601	$11,025.04
Captain - Step 3	$11,025	$11,466.00
Admin. Captain - Step 1	$10,601	$11,025.04
Admin. Captain - Step 2	$11,025	$11,466.00
Admin. Captain - Step 3	$11,466	$11,924.64

SCOTTS VALLEY FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383

Salary Schedule	Time Base	7/1/2020	Step %
Secretary Receptionist A	Hourly	$26.85	
Secretary Receptionist B	Hourly	$28.19	5%
Secretary Receptionist C	Hourly	$29.60	5%
Administrative Secretary A	Monthly	$5,901.67	15%
Administrative Secretary B	Monthly	$6,197.07	5%
Administrative Secretary C	Monthly	$6,506.19	5%
Firefighter 1	Monthly	$7,356.96	
Firefighter 2	Monthly	$7,724.08	5%
Engineer 1	Monthly	$8,113.04	5%
Engineer 2	Monthly	$8,741.20	8%
Engineer 3	Monthly	$9,179.04	5%
Engineer 4	Monthly	$9,637.68	5%
Paramedic Incentive FF/ENG	Monthly	$772.41	
Haz Mat Incentive Engineer 4	Monthly	$475.00	
Captain 1	Monthly	$10,600.72	10%
Captain 2	Monthly	$11,025.04	4%
Captain 3	Monthly	$11,466.00	4%
Administrative Captain 1	Monthly	$11,025.04	4%
Administrative Captain 2	Monthly	$11,466.00	4%
Administrative Captain 3	Monthly	$11,924.64	4%
Paramedic Incentive Captain	Monthly	$231.72	
Haz Mat Incentive Captain	Monthly	$475.00	
Battalion Chief 1	Monthly	$13,185.12	15%
Battalion Chief 2	Monthly	$13,581.36	3%
Battalion Chief 3	Monthly	$13,989.04	3%
Battalion Chief Management Incentive	Monthly	$920.83	
Fire Chief A	Monthly	$16,086.72	15%
Fire Chief B	Monthly	$16,489.20	2.5%
Fire Chief C	Monthly	$16,901.04	2.5%
Fire Chief Management Incentive	Monthly	$758.33	
		7/1/2020	1/1/2021
Paid Call Firefighter (PCF)	Hourly	$13.00	$14.00
Hydrant Maintenance Worker	Hourly	$18.00	$18.00
Firefighter 1 (Minimum Shift Staffing)	Hourly	$30.32	$30.32

Scotts Valley Fire Protection District	
POLICY: 1608	**SUBJECT: Reserve Guidelines**
DATE APPROVED: 9/9/2020	
BOARD PRESIDENT: ________	**FIRE CHIEF:** ________

PURPOSE

To provide guidelines to consider when establishing Reserve Accounts and reasonable asset allocation levels sufficient to support Scotts Valley Fire Protection District (SVFPD) operations, debt services and economic financial stability, as determined by the Board. The Board recognizes the maintenance of a fund balance is essential to the SVFPD's financial integrity and is fiscally advantageous to both the agency and taxpayers. This policy provides guidance regarding the desired fund balance levels to mitigate financial risk and ensure adequate financial resources to safeguard to SVFPD against unforeseen revenue fluctuations, unanticipated expenditures or emergencies.

POLICY

1. Reserve funds may be established from time to time by the Board as an important component of sound financial management to meet both short and long-term financial objectives, and to ensure prudent financial management practices.

2. The Board of Directors shall be responsible for the oversight of all District fund accounts and balances. Changes to the existing fund balances, establishing new fund accounts, and authorizing expenditures for fund balances shall require action by the Board.

3. The Finance Committee shall review fund balances and recommend changes to fund balances for the upcoming fiscal year to be presented to the full Board of Directors prior to the adoption of the Final Budget.

4. All expenditures or transfers between reserve funds shall be approved by the Board of Directors.

FUNDS

Reserve Account	Purpose	Minimum Amount
General Fund Operating Reserves	Funds utilized during the District's Dry Period Funding (July-December)	$1,000,000
California Employers' Retiree Benefits Trust (CERBT)	Other Post Employment Benefits (OPEB) – Retiree Healthcare	$155,000
Capital Outlay Fund Apparatus and Equipment	Facilities, Apparatus and Equipment Replacement	As per the Apparatus and Equipment Replacement Schedule

Reserve levels above the minimum amounts should be used to prepay existing debt, with priority given to additional CERBT prefunding and the California Employers' Pension Prefunding Trust (CEPPT) and/or paying down the CalPERS Unfunded Accrued Lability (UAL).

The minimum reserve amounts will be calculated and reaffirmed annually in the budget adoption process. The District will make every attempt to maintain the minimum amounts. When the reserves are depleted or fall below the established amounts, a plan for replenishment shall be developed as part of the annual budget.

This policy is not intended to set strict limits that must be adhered to in a vacuum. Instead, these guidelines are intended to serve as a decision-making tool in planning for and evaluating activities or transactions that could have a significant impact on the level of cash on hand.

SCOTTS VALLEY FIRE PROTECTION DISTRICT

RESOLUTION NO. 2020-9

RESOLUTION APPROVING THE AGREEMENT TO PREFUND OTHER POST-EMPLOYMENT BENEFITS AND OTHER RELATED FORMS WITH THE CALIFORNIA EMPLOYERS' RETIREMENT BENEFIT TRUST FUND THROUGH THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

WHEREAS, the California Public Employees Retirement System has established the California Employers' Retirement Benefit Trust Fund (CERBT) to prefund future retiree health benefit costs; and

WHEREAS, the Scotts Valley Fire Protection District desires to prefund Other Post-Employment Benefits (OPEB) expenses by establishing an OPEB trust which would allow the District to invest its OPEB assets in higher-yielding investments; and

WHEREAS, in order to establish an OPEB trust with CalPERS, the District must approve entering into an agreement with CalPERS entitled "Agreement and Election of Scotts Valley Fire Protection District to Prefund Other Post-Employment Benefits through CalPERS."

NOW, THEREFORE, BE IT RESOLVED by the Scotts Valley Fire Protection District Board of Directors that the forms listed below and attached are hereby adopted.

Section 1: The Fire Chief or their designee authorized to execute the Agreement and Election of the Scotts Valley Fire Protection District to Prefund Other

Section 2: The Fire Chief or their designee is authorized to take any additional actions necessary to participate in the CalPERS CERBT program.

PASSED AND ADOPTED BY THE Board of Directors of the Scotts Valley Fire Protection District, County of Santa Cruz, State of California, at a regular meeting held on September 9, 2020, by the following vote:

	AYES	NOES	ABSENT	ABSTAIN
Director Robert Campbell				
Director Edward Harmon				
Director Joseph Parker				
Director Russ Patterson				
Director Daron Pisciotta				

ATTEST:

Steve M. Kovacs
Board Secretary

Daron Pisciotta
Board President

CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST PROGRAM ("CERBT")

AGREEMENT AND ELECTION
OF

Scotts Valley Fire Protection District

(NAME OF EMPLOYER)

TO PREFUND OTHER POST-EMPLOYMENT BENEFITS THROUGH CalPERS

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post-employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) Scotts Valley Fire Protection District

(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post-Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer defined benefit plan as defined in Governmental Accounting Standards Board (GASB) Statements for Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB Standards) consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to:

CalPERS
CERBT (OPEB)
P.O. Box 1494
Sacramento, CA 95812-1494

Filing in person, deliver to:

CalPERS Mailroom
CERBT (OPEB)
400 Q Street
Sacramento, CA 95811

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

C. Other Post-Employment Benefits (OPEB) Cost Reports and Employer Contributions

(1) Employer shall provide to the Board an OPEB cost report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by applicable GASB OPEB Standards. This OPEB cost report may be prepared as an actuarial valuation report or, if the employer is qualified under GASB OPEB Standards, may be prepared as an Alternative Measurement Method (AMM) report.

(a) Unless qualified under GASB OPEB Standards, to provide an AMM report, Employer shall provide to the Board an actuarial valuation report. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB OPEB Standards, and shall be:

1) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;

2) prepared in accordance with generally accepted actuarial practice and GASB OPEB Standards; and,

3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(b) If qualified under GASB OPEB Standards, Employer may provide to the Board an AMM report. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB OPEB Standards, and shall be:

1) affirmed by Employer's external auditor, or by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board, to be consistent with the AMM process described in GASB OPEB Standards;

2) prepared in accordance with GASB OPEB Standards; and,

3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any OPEB cost report for financial reporting purposes submitted to it, but shall not unreasonably do so. In the event that the Board

determines, in its sole discretion, that the OPEB cost report is not suitable for use in the Board's financial statements or if Employer fails to provide a required OPEB cost report, the Board may obtain, at Employer's expense, an OPEB cost report that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such OPEB cost report by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the OPEB cost report for financial reporting purposes acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB OPEB Standards. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) No contributions are required. Contributions can be made at any time following the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

D. Administration of Accounts, Investments, Allocation of Income

(1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts are maintained for each employer so that the Employer's assets will provide benefits only under the Employer's post-employment benefit plan(s).

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).

(3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.

(4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income shall be allocated among participating employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.

(6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

E. Reports and Statements

(1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.

(2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

F. Disbursements

(1) Employer may receive disbursements not to exceed the annual premium and other costs of post-employment healthcare benefits and other post-employment benefits as defined in GASB OPEB Standards.

(2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.

(3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.

(4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) will be processed monthly.

(5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

(6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

H. Termination of Employer Participation in Prefunding Plan

(1) The Board may terminate Employer's participation in the Prefunding Plan if:

(a) Employer gives written notice to the Board of its election to terminate;

(b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After the Employer's participation in the Prefunding Plan terminates, the governing body of the Employer may request either:

(a) A trustee to trustee transfer of the assets in Employer's Prefunding Account; provided that the Board shall have no obligation to make such transfer unless the Board determines that the transfer will satisfy applicable requirements of the Internal Revenue Code, other law and accounting standards, and the Board's fiduciary duties. If the Board determines that the transfer will satisfy these requirements, the Board shall then have one hundred fifty (150) days from the date of such determination to effect the transfer. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the date of the transfer (the "transfer date") and shall include investment earnings up to an investment earnings allocation date preceding the transfer date. In no event shall the investment earnings allocation date precede the transfer date by more than 150 days.

(b) A disbursement of the assets in Employer's Prefunding Account; provided that the Board shall have no obligation to make such disbursement unless the Board determines that, in compliance with the Internal Revenue Code, other law and accounting standards, and the Board's fiduciary duties, all of Employer's obligations for payment of post-employment health care benefits and other post-employment benefits and reasonable administrative costs of the Board have been satisfied. If the Board determines that the disbursement will satisfy these requirements, the

Board shall then have one hundred fifty (150) days from the date of such determination to effect the disbursement. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the date of the disbursement (the "disbursement date") and shall include investment earnings up to an investment earnings allocation date preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement date by more than 150 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post-employment health care benefits and other post-employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as that term is used in GASB OPEB Standards), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post-employment health care benefits and other post-employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

I. General Provisions

(1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

(2) Audit.

(a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.

(b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

(a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:

1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.

2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.

3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.

4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.

5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written

confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.

6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

(b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

(c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.

(d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

(4) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

(5) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(6) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the 9th day of the month of September in the year 2020, authorized entering into this Agreement.

Signature of the Presiding Officer: ____________________

Printed Name of the Presiding Officer: Steve M. Kovacs, Fire Chief

Name of Governing Body: Scotts Valley Fire District Board of Dir

Name of Employer: Scotts Valley Fire Protection District

Date: September 9, 2020

BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY____________________
ARNITA PAIGE
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS

The effective date of this Agreement is: ____________________

SCOTTS VALLEY FIRE PROTECTION DISTRICT

RESOLUTION NO. 2020-10

RESOLUTION APPROVING THE AGREEMENT TO PREFUND THE CALIFORNIA EMPLOYER CONTRIBUTION TO A DEFINED BENEFIT PENSION PLAN TRUST THROUGH THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

WHEREAS, the California Public Employees Retirement System has established the California Employers' Pension Plan Trust (CEPPT) to prefund future pension costs; and

WHEREAS, in order to establish an CEPPT trust with CalPERS, the District must approve entering into an agreement with CalPERS entitled "Agreement and Election of Scotts Valley Fire Protection District to Prefund Employer Contributions to a Defined Benefit Pension Plan."

NOW, THEREFORE, BE IT RESOLVED by the Scotts Valley Fire Protection District Board of Directors that the forms listed below and attached are hereby adopted.

Section 1: The Fire Chief or their designee is authorized to execute the Agreement and Election of the Scotts Valley Fire Protection District to Prefund a Defined Pension Plan Trust.
Section 2: The Fire Chief or their designee is authorized to take any additional actions necessary to participate in the CalPERS CEPPT program.

PASSED AND ADOPTED BY THE Board of Directors of the Scotts Valley Fire Protection District, County of Santa Cruz, State of California, at a regular meeting held on September 9, 2020, by the following vote:

	AYES	NOES	ABSENT	ABSTAIN
Director Robert Campbell				
Director Edward Harmon				
Director Joseph Parker				
Director Russ Patterson				
Director Daron Pisciotta				

ATTEST:

Steve M. Kovacs
Board Secretary

Daron Pisciotta
Board President

CALIFORNIA EMPLOYERS' PENSION PREFUNDING TRUST PROGRAM

AGREEMENT AND ELECTION OF

Scotts Valley Fire Protection District

(NAME OF EMPLOYER)

to Prefund Employer Contributions to a Defined Benefit Pension Plan

WHEREAS (1) Government Code (GC) Section 21711(a) establishes in the State Treasury the California Employers' Pension Prefunding Trust Fund (CEPPT), a special trust fund for the purpose of allowing eligible employers to prefund their required pension contributions to a defined benefit pension plan (each an Employer Pension Plan) by receiving and holding in the CEPPT amounts that are intended to be contributed to an Employer Pension Plan at a later date; and

WHEREAS (2) GC Section 21711(b) provides that the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control of the administration and investment of the CEPPT, the purposes of which include, but are not limited to (i) receiving contributions from participating employers; (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds; and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the CEPPT and to deposit employer contributions into Employer Pension Plans in accordance with their terms; and

WHEREAS (3) Scotts Valley Fire Protection District

(NAME OF EMPLOYER)

(Employer) desires to participate in the CEPPT upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the CEPPT upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Employer Contributions to a Defined Benefit Pension Plan (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The CEPPT is a trust fund that is intended to perform an essential governmental function (that is, the investment of funds by a State, political subdivision or 115 entity) within the meaning of Internal Revenue Code (Code) Section 115 and Internal Revenue Service Revenue Ruling 77-261, and as an Investment Trust Fund, as defined in Governmental Accounting Standards Board (GASB) Statement No. 84, Paragraph 16, for accounting and financial reporting of fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust that meets the criteria in Paragraph 11c(1).

WHEREAS (6) The CEPPT is not a Code Section 401(a) qualified trust and the assets held in the CEPPT are not assets of any Employer Pension Plan or any plan qualified under Code Section 401(a).

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Employer Representation and Warranty

Employer hereby represents and warrants that it is the State of California or a political subdivision thereof, or an entity whose income is excluded from gross income under Code Section 115(1).

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the CEPPT by adopting this Agreement and filing with the Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to:	CalPERS CEPPT P.O. Box 1494 Sacramento, CA 95812-1494
Filing in person, deliver to:	CalPERS Mailroom CEPPT 400 Q Street Sacramento, CA 95811

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement. Employer shall provide the Board such other documents as the Board may request, including, but not limited to a certified copy of the resolution(s) of the governing body of Employer authorizing the adoption of the Agreement and documentation naming Employer's successor entity in the event that Employer ceases to exist prior to termination of this Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both the Board and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the CEPPT, to carry out the purposes of this Agreement, and to maintain the tax-exempt status of the CEPPT. Employer agrees to follow such procedures and processes.

C. Employer Reports Provided for the Board's Use in Trust Administration and Financial Reporting and Employer Contributions

(1) Employer shall provide to the Board a defined benefit pension plan cost report on the basis of the actuarial assumptions and methods prescribed by Actuarial Standards of Practice (ASOP) or prescribed by GASB. Such report shall be for the Board's use in trust administration and financial reporting and shall be prepared at least as often as the minimum frequency required by applicable GASB Standards. This defined benefit pension plan cost report may be prepared as an actuarial valuation report or as a GASB compliant financial report. Such report shall be:

1) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;

2) prepared in accordance with ASOP or with GASB; and

3) provided to the Board prior to the Board's acceptance of contributions for the reporting period or as otherwise required by the Board.

(2) In the event that the Board determines, in its sole discretion, that Employer's cost report is not suitable for the Board's purposes and use or if Employer fails to provide a required report, the Board may obtain, at Employer's expense, a report that meets the Board's trust administration and financial reporting needs. At the Board's option, the Board may recover the costs of obtaining the report either by billing and collecting such amount from Employer or through a deduction from Employer's Prefunding Account (as defined in Paragraph D(2) below).

(3) Employer shall notify the Board in writing of the amount and timing of contributions to the CEPPT, which contributions shall be made in the manner established by the Board and in accordance with the terms of this Agreement and any procedures adopted by the Board.

(4) The Board may limit Employer's contributions to the CEPPT to the amount necessary to fully fund the actuarial present value of total projected benefit payments not otherwise prefunded through the applicable Employer Pension Plan (Unfunded PVFB), as set forth in Employer's cost report for the applicable period. If Employer's contribution would cause the assets in Employer's Prefunding Account to exceed the Unfunded PVFB, the Board may refuse to accept the contribution. If Employer's cost report for the applicable period does not set forth the Unfunded PVFB, the Board may

refuse to accept a contribution from Employer if the contribution would cause the assets in Employer's Prefunding Account to exceed Employer's total pension liability, as set forth in Employer's cost report.

(5) No contributions are required. Contributions can be made at any time following the effective date of this Agreement if Employer has first complied with the requirements of this Agreement, including Paragraph C.

(6) Employer acknowledges and agrees that assets held in the CEPPT are not assets of any Employer Pension Plan or any plan qualified under Code Section 401(a), and will not become assets of such a plan unless and until such time as they are distributed from the CEPPT and deposited into an Employer Pension Plan.

D. Administration of Accounts; Investments; Allocation of Income

(1) The Board has established the CEPPT as a trust fund consisting of an aggregation of separate single-employer accounts, with pooled administrative and investment functions.

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the CEPPT (Employer's Prefunding Account). Assets in Employer's Prefunding Account will be held for the exclusive purpose of funding Employer's contributions to its Employer Pension Plan(s) and defraying the administrative expenses of the CEPPT.

(3) The assets in Employer's Prefunding Account may be aggregated with the assets of other participating employers and may be co-invested by the Board in any asset classes appropriate for a Code Section 115 trust, subject to any additional requirements set forth in applicable law, including, but not limited to, subdivision (d) of GC Section 21711. Employer shall select between available investment strategies in accordance with applicable Board procedures.

(4) The Board may deduct the costs of administration of the CEPPT from the investment income of the CEPPT or from Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income earned shall be allocated among participating employers and posted to Employer's Prefunding Account daily Monday through Friday, except on holidays, when the allocation will be posted the following business day.

(6) If, at the Board's sole discretion and in compliance with accounting and legal requirements applicable to an Investment Trust Fund and to a Code Section 115 compliant trust, the Board determines to its satisfaction that all obligations to pay defined benefit pension plan benefits in accordance with the applicable Employer Pension Plan terms have been satisfied by payment or by defeasance with no remaining risk regarding the amounts to be paid or the value of assets held in the

CEPPT, then the residual Employer assets held in Employer's Prefunding Account may be returned to Employer.

E. Reports and Statements

(1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.

(2) The Board, at its discretion but at least annually, shall prepare and provide a statement of Employer's Prefunding Account reflecting the balance in Employer's Prefunding Account, contributions made during the period covered by the statement, investment income allocated during such period, and such other information as the Board may determine.

F. Disbursements

(1) Employer may receive disbursements from the CEPPT not to exceed, on an annual basis, the amount of the total annual Employer contributions to Employer's Pension Plan for such year.

(2) Employer shall notify the Board in writing in the manner specified by the Board of the persons authorized to request disbursements from the CEPPT on behalf of Employer.

(3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board, and the Board may rely conclusively upon such writing. The Board may, but is not required to, require that Employer certify or otherwise demonstrate that amounts disbursed from Employer's Prefunding Account will be used solely for the purposes of the CEPPT. However, in no event shall the Board have any responsibility regarding the application of distributions from Employer's Prefunding Account.

(4) No disbursement shall be made from the CEPPT which exceeds the balance in Employer's Prefunding Account.

(5) Requests for disbursements that satisfy the above requirements will be processed on at least a monthly basis.

(6) The Board shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements, and is under no duty to make any investigation or inquiry about the correctness of such instruction. In the event of any other erroneous disbursement, the extent of the Board's liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the CEPPT, as determined by the Board and in accordance with Paragraph D.

H. Termination of Employer's Participation in the CEPPT

(1) The Board may terminate Employer's participation in the CEPPT if:

(a) Employer's governing body gives written notice to the Board of its election to terminate; or

(b) The Board determines, in its sole discretion, that Employer has failed to satisfy the terms and conditions of applicable law, this Agreement or the Board's rules, regulations or procedures.

(2) If Employer's participation in the CEPPT terminates for either of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the CEPPT, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D, and Employer shall remain subject to the terms of this Agreement with respect to such assets.

(3) After Employer's participation in the CEPPT terminates, Employer may not make further contributions to the CEPPT.

(4) After Employer's participation in the CEPPT terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After Employer's participation in the CEPPT terminates, the governing body of Employer may request either:

(a) A trustee to trustee transfer of the assets in Employer's Prefunding Account to a trust dedicated to prefunding Employer's required pension contributions; provided that the Board shall have no obligation to make such transfer unless the Board determines that the transfer will satisfy applicable requirements of the Code, other law and accounting standards, and the Board's fiduciary duties. If the Board determines that the transfer will satisfy these requirements, the Board shall then have one hundred fifty (150) days from the date of such determination to effect the transfer. The amount to be transferred shall be the amount in Employer's Prefunding Account as of the date of the transfer (the "transfer date") and shall include investment earnings up to an investment earnings allocation date preceding the transfer date. In no event shall the investment earnings allocation date precede the transfer date by more than 150 days.

(b) A disbursement of the assets in Employer's Prefunding Account; provided that the Board shall have no obligation to make such disbursement unless the Board determines that, in compliance with the Code, other law and accounting standards, and the Board's fiduciary duties, all of Employer's obligations for payment of defined benefit pension plan benefits and reasonable administrative costs of the Board have been satisfied. If the Board determines that the disbursement will satisfy these requirements, the Board shall then have one hundred fifty (150) days from the date of such determination to effect the disbursement. The amount to be disbursed shall be the amount in Employer's Prefunding Account as of the date of the disbursement (the "disbursement date") and shall include investment earnings up to an investment earnings allocation date preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement date by more than 150 days.

(6) After Employer's participation in the CEPPT terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate. To the extent that assets remain in Employer's Prefunding Account, this Agreement shall remain in full force and effect.

(7) If, for any reason, the Board terminates the CEPPT, the assets in Employer's Prefunding Account shall be paid to Employer to the extent permitted by law and Code Section 115 after retention of (i) an amount sufficient to pay the Unfunded PVFB as set forth in a current defined benefit pension plan(s) cost report prepared in compliance with ASOP and the requirements of Paragraph C(1), and (ii) amounts sufficient to pay reasonable administrative costs of the Board. Amounts retained by the Board to pay the Unfunded PVFB shall be transferred to (i) another Code Section 115 trust dedicated to prefunding Employer's required pension contributions, subject to the Board's determination that such transfer will satisfy applicable requirements of the Code, other law and accounting standards, and the Board's fiduciary duties or (ii) Employer's Pension Plan, subject to acceptance by Employer's Pension Plan.

(8) If Employer ceases to exist but Employer's Prefunding Account continues to exist, and if no provision has been made to the Board's satisfaction by Employer with respect to Employer's Prefunding Account, the Board shall be permitted to identify and appoint a successor to Employer under this Agreement, provided that the Board first determines, in its sole discretion, that there is a reasonable basis upon which to identify and appoint such a successor and provided further that such successor agrees in writing to be bound by the terms of this Agreement. If the Board is unable to identify or appoint a successor as provided in the preceding sentence, then the Board is authorized to appoint a third-party administrator or other successor to act on behalf of Employer under this Agreement and to otherwise carry out the intent of this Agreement with respect to Employer's Prefunding Account. Any and all costs associated with such appointment shall be paid from the assets attributable to Employer's Prefunding Account. At the Board's option, and subject to acceptance by Employer's Pension Plan,

the Board may instead transfer the assets in Employer's Prefunding Account to Employer's Pension Plan and terminate this Agreement.

(9) If the Board determines, in its sole discretion, that Employer has breached the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the CEPPT.

I. Indemnification

Employer shall indemnify, defend, and hold harmless CalPERS, the Board, the CEPPT, and all of the officers, trustees, agents and employees of the foregoing from and against any loss, liability, claims, causes of action, suits, or expense (including reasonable attorneys' fees and defense costs, lien fees, judgments, fines, penalties, expert witness fees, appeals, and claims for damages of any nature whatsoever) not charged to the CEPPT and imposed as a result of, arising out of, related to or in connection with (1) the performance of the Board's duties or responsibilities under this Agreement, except to the extent that such loss, liability, suit or expense results or arises from the Board's own gross negligence, willful misconduct or material breach of this Agreement, or (2) without limiting the scope of Paragraph F(6) of this Agreement, any acts taken or transactions effected in accordance with written directions from Employer or any of its authorized representatives or any failure of the Board to act in the absence of such written directions to the extent the Board is authorized to act only at the direction of Employer.

J. General Provisions

(1) Books and Records

Employer shall keep accurate books and records connected with the performance of this Agreement. Such books and records shall be kept in a secure location at Employer's office(s) and shall be available for inspection and copying by the Board and its representatives.

(2) Notice

(a) Any notice or other written communication pursuant to this Agreement will be deemed effective immediately upon personal delivery, or if mailed, three (3) days after the date of mailing, or if delivered by express mail or e-mail, immediately upon the date of confirmed delivery, to the following:

For the Board:

Filing by mail, send to:
CalPERS
CEPPT
P.O. Box 1494
Sacramento, CA 95812-1494

Filing in person, deliver to:
CalPERS Mailroom
CEPPT
400 Q Street
Sacramento, CA 95811

For Employer:

(b) Either party to this Agreement may, from time to time by notice in writing served upon the other, designate a different mailing address to which, or a different person to whom, all such notices thereafter are to be addressed.

(3) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of this Agreement shall survive the termination of this Agreement.

(4) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(5) Necessary Acts; Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

(6) Incorporation of Amendments to Applicable Laws and Accounting Standards

Any references to sections of federal or state statutes or regulations or accounting standards shall be deemed to include a reference to any amendments thereof and any successor provisions thereto.

(7) Days

Wherever in this Agreement a set number of days is stated or allowed for a particular event to occur, the days are understood to include all calendar days, including weekends and holidays, unless otherwise stated.

(8) No Third Party Beneficiaries

Except as expressly provided herein, this Agreement is for the sole benefit of the parties hereto and their permitted successors and assignees, and nothing herein, expressed or implied, will give or be construed to give any other person any legal or equitable rights hereunder. Notwithstanding the foregoing, CalPERS, the CEPPT, and all of the officers, trustees, agents and employees of CalPERS, the CEPPT and the Board shall be considered third party beneficiaries of this Agreement with respect to Paragraph I above.

(9) Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

A majority vote of Employer's Governing Body at a public meeting held on the 9th day of the month of September in the year 2020, authorized entering into this Agreement.

Signature of the Presiding Officer: ______________________

Printed Name of the Presiding Officer: Steve M. Kovacs, Fire Chief

Name of Governing Body: Scotts Valley Fire District Board of Directors

Name of Employer: Scotts Valley Fire Protection District

Date: September 9, 2020

BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY______________________________________
ARNITA PAIGE
DIVISION CHIEF, PENSION CONTRACT AND PREFUNDING PROGRAMS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS The effective date of this Agreement is: __________________________

SCOTTS VALLEY FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383

Steve M. Kovacs
Fire Chief

Date: September 9, 2020

To: Board of Directors

From: Chief Kovacs

Subject: September Administrative Report

Incident Type	June		July		August		Year To Date	
	2019	2020	2019	2020	2019	2020	2019	2020
Fires	2	5	4	7	8	10	28	52
Explosion / Rupture	0	0	0	0	0	0	1	0
EMS	91	82	116	91	102	78	852	717
Hazardous Condition	3	3	5	5	7	8	62	47
Service Calls	18	15	17	30	20	17	146	130
Good Intent	26	35	25	37	31	35	271	263
False Alarms	10	18	13	13	18	22	103	114
Severe Weather	0	0	0	0	0	0	3	3
Totals	150	158	180	183	186	170	1466	1326

Operations

- Both of our Type 3 engines are deployed on the CZU Lighting Complex. Crews are doing well.
- Chief McNeil is deployed as the STEN on the CZU Lighting Complex.
- Captain LoFranco is deployed as a Line Medic on the CZU Lightning Complex.
- Captain Vandervoort was deployed for DINS on the CZU Lightning Complex.
- EMSIA Trauma Packs have been placed on Engines and BC Vehicles for potential NCI Incidents.

Training

- Pump testing and drafting training
- Performance testing
- Firefighter Bridges and Firefighter Laine completed their 24 month probation and have been promoted to Engineer I.

Administration

- Secretary Receptionist Bridges completed 2 car seat inspections in the month of August
- Fielded a large volume of calls regarding the fire
- Finished preparing for the auditor

- Secretary Receptionist Mayfield assisted in providing Public Information to the SVFPD for the CZU Lightning Complex

Prevention/Community Risk Reduction

- Inspections – 6
- Permits/Plan Checks – 1
- Hazard Complaint Inspections – 2
- Meetings Attended – 3
- Training – 0
- Captain Vandervoort drove Engine 2510 back from Sacramento
- Captain Vandervoort assigned to CZU Lightning Complex Fire as Damage Inspector from 8/21-9/1/2020

Fire Chief Activities:

- Finance Meetings
- CalChiefs Conference Call
- SCCFAIG Meeting with Keenan
- State OES Conference Calls – Weekly
- Meeting with Board of Supervisor Candidate
- Staff Meeting
- EBA Meeting
- Board Meeting
- FDAC Meetings
- OES Region 2 Conference Call
- CZU Lightning Complex
- XCZ Operational Area Conference Calls – Daily
- BRN interviews
- BRN Board Meeting
- Tour of Fire with President Pisciotta
- Tour of Fire with SV City Manager

A-Shift
Battalion Chief Theilen
Captain Petteys
Engineer Duncan
Engineer Pedemonte
Captain Ronzano
Engineer Todd
Firefighter Laine

Dear Firemans
on the third of august you came to our house on the corner of Pasatiempo DR and Sim's road to help us with the house fire. You all were very good at what you did, checking the outside Wall and roof. We were very happy to see you and have your services. We consider you our "Angels". Thank you so very much. God bless you all. With Love and big hugs. Sonia + Paul O'Brien.

"Just for all of you"

Just for all of you
because you're all special too
God bless you for ever.

You worked with effensity
caring also for me
You are all God bless
With love and tenderness.

Thank you all of you
You are super in everything you do
You are our angels on Earth.
Love ya Sonia O'Brien

B-Shift
Captain LoFranco
Engineer Cortes
Engineer Avila

Just wanted to say
a special thanks to
Andrew and his cohort
for their success in
catching and dispatching
Gertie to the golf course
this morning. Swift,
strong, gentle, thorough.
I know it's all in a
day's work for you, but
special to me!
Susanna G.

RECEIVED
JUL 1[illegible] 2020
SCOTTS VALLEY FIRE
PROTECTION DISTRICT

POSTCARD

SV Fire District
7 Erba Lane
Scotts Valley, CA
95066

Lloyd Rees (b.1895)
'Spring at Bathurst (1949).'
oil on canvas.
52.5 × 63.5 cm.
Coll: Castlemaine Art Gallery and Historical Museum.

Wednesday, August 26th

112 Magnolia Street
Santa Cruz, CA

Dear people protecting us;

Thank you, firefighters and more, for serving and protecting our community from this painful CZU fire. This is a rough time for all of us, but especially you fine people, going out to put out fires in places ranging from houses to forests. This terrible fire is burning homes and un-putrefying air, and I and my family are grateful that you guys are there for us. When we fall to the ground, we can always count on you to pull us up. Due to the Coronavirus that is unconveniently reigning during the time of the CZU fire, we cannot go to a friends house and play and drink. We cannot even go to a restaurant and try to wait the air out. So we rely on you to help us, and we full-heartedly agree that you are pulling us back to our feet. If not for you, we may be dead or struggling to survive. If not for you, this entire world as we know it may be burned to the ground, possibly along with us. And in that, we thank and salute you for protecting us, our house, our town, our country, our *world* from the CZU fire. I thank you. *We* thank you. The whole world is or should be thanking you for helping us out, helping us survive, helping our world survive, and helping us live. Without you, the world will never be the same.

Thank you once more;

Gavin Pouw

Age 11, going on fifty!
Santa Cruz Citizen
California citizen
United states citizen
America citizen
Earth citizen
Universe citizen

Dear brave fire fighters Please be safe out there!