

MONTECITO WATER DISTRICT

# CalPERS Actuarial Valuation

## *Cost Disclosure Analysis & Summary*

**Annual Valuation Report as of June 30, 2024**

Required Employer Contributions for Fiscal Year 2027 (July 1, 2026 – June 30, 2027)

Rate Plans 73 (Classic) & 26040 (PEPRA) — Miscellaneous Risk Pool

Presented by Emma Godinez



# The Headline Numbers

**\$7.31M**

Unfunded Accrued Liability (UAL)

**71.9%**

Funded Ratio  
(up from 70.2%)

**\$684,032**

FY 2027 UAL Payment  
(if paid monthly)

**\$661,898**

UAL if Prepaid  
in July 2026

## WHAT THE VALUATION TELLS US

The District participates in the CalPERS Miscellaneous Risk Pool with two rate plans — Classic (73) and PEPRA (26040).

Each year's valuation sets contributions two fiscal years forward; the June 30, 2024 report governs FY 2027.

Employer cost has two parts: a Normal Cost rate paid through payroll, and a fixed-dollar UAL payment that may be paid monthly or prepaid in July at a discount.

**Prepaying the FY 2027 UAL in July 2026 saves the District roughly \$22,134.**

# Two Components: Normal Cost + UAL

## Employer Normal Cost Rates (% of payroll)

| Rate Plan          | FY 2026 | FY 2027 |
|--------------------|---------|---------|
| 73 — Classic Misc. | 12.58%  | 12.56%  |
| 26040 — PEPR Misc. | 7.96%   | 7.93%   |

## Member Contribution Rates

| Rate Plan    | Member Rate |
|--------------|-------------|
| 73 — Classic | 7.00%       |
| 26040 — PEPR | 7.75%       |

## FY 2027 UAL CONTRIBUTION — \$684,032

### Option 1 — Monthly

12 payments of \$57,002.67

**\$684,032**

### Option 2 — Prepay in July (recommended)

Single lump sum, received by July 31, 2026

**\$661,898**

Savings from prepayment: **\$22,134**

*≈ 3.33% effective interest avoided*

FUNDING HISTORY

# Liability vs. Assets — a Persistent ~\$7M Gap



## READING THE GAP

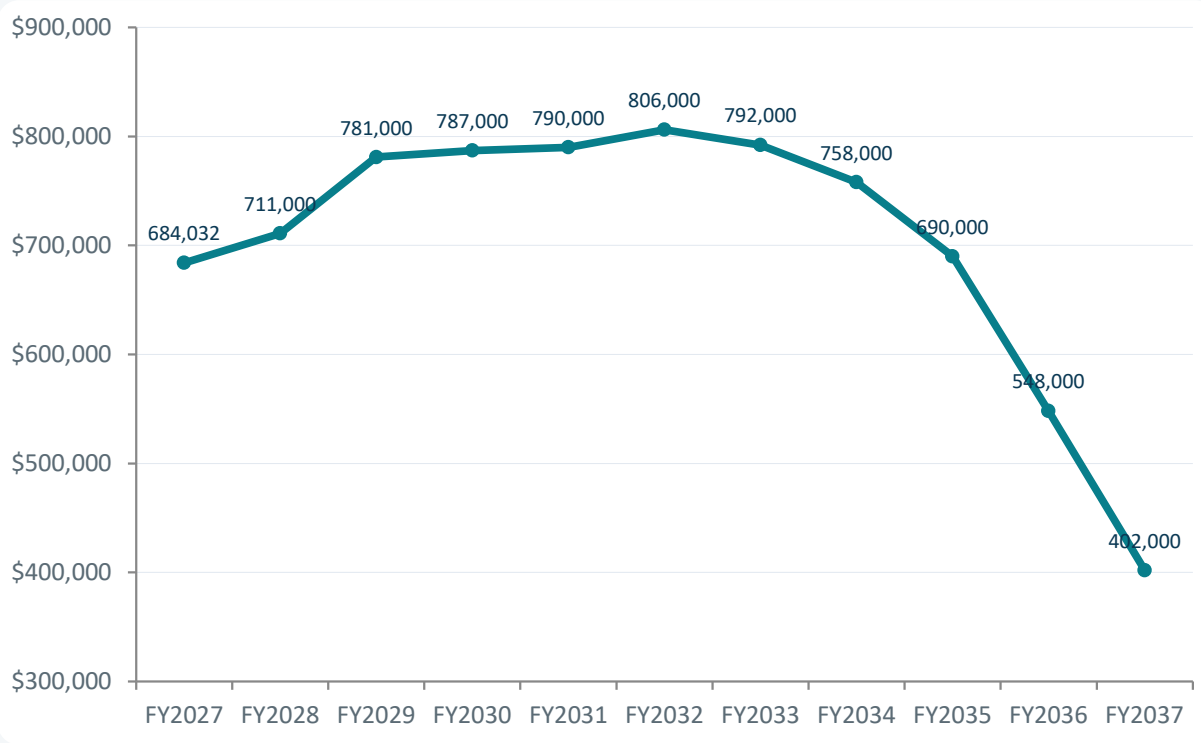
Accrued liability grew to \$25.98M while assets reached \$18.67M.

The UAL of \$7.31M is the District’s pension “debt” — it functions like a balance owed to the plan.

Funded ratio improved slightly to 71.9%, but the plan remains mature: retiree liability is ~59% of the total and the active-to-retiree support ratio is just 0.64.

PROJECTED EMPLOYER CONTRIBUTIONS

# UAL Payments Climb, Then Decline as Bases Amortize



### THE PROJECTED ARC

Projections assume a 6.8% annual investment return and no further assumption changes.

Payments climb about 18% through FY 2032 — from \$684K to roughly \$806K — as prior investment losses phase in through the 5-year amortization ramp, then decline as older amortization bases are paid off.

*Actual UAL payments may vary significantly with investment experience.*

# How Sensitive Is the District's Cost?

## Discount Rate

At 5.8% (1% lower), UAL jumps to \$10.42M and the funded ratio drops to 64.2%. At 7.8%, UAL falls to \$4.69M (79.9% funded).

## Investment Return Scenarios

At the 5th-percentile return (3.0%), the FY 2028 UAL payment rises to ~\$728K and keeps climbing. At the 95th percentile (10.8%), it falls to ~\$693K and trends toward \$0 by FY 2032. These bound the 90% range of 20-year average returns.

## Single-Year Loss

A one-year 2-standard-deviation loss (-17.2%) would raise the FY 2028 payment to ~\$821K as it phases in over five years.

## Termination & LDROM

On a termination basis the funded ratio is 50.5%–64.7%. The low-default-risk measure (LDROM) shows a \$12.0M unfunded obligation at a 5.35% rate.

RECOMMENDATION

# Prepay the FY 2027 UAL in July 2026

Authorize a single annual prepayment of **\$661,898** in July 2026, in lieu of twelve monthly payments totaling **\$684,032** — capturing CalPERS's built-in discount.

## Saves ~\$22,134

Equivalent to avoiding ~3.33% in financing interest — money kept for District services.

## Certain & immediate

Savings are realized at payment and do not depend on investment performance.

## No strings attached

Distinct from an ADP; it does not alter the amortization schedule or commit to future-year action.

## Deadline: July 31, 2026

Prepayment must be received in full in July; the UAL is already in the FY 2027 Adopted Budget.