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Via Email

February 27, 2024

Ms. Sophia Skoda
Director of Finance
East Bay Municipal Utility District
375 Eleventh Street
Oakland, CA 94607-4240

**Re: East Bay Municipal Utility District Employees' Retirement System (EBMUDERS)
Addendum to the Governmental Accounting Standards Board Statement (GASBS) 67
actuarial valuation report as of June 30, 2023**

Dear Sophia:

In our Governmental Accounting Standards Board Statement (GASBS) 67 actuarial valuation report dated January 5, 2024, we provided the Net Pension Liability (NPL) and other elements that are required for completing the Plan's financial reporting requirements under GASBS 67. In this letter, we have provided as an Addendum to that report two additional schedules that the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel recommends be prepared by the Retirement System's actuary (Segal). These schedules are used in allocating the NPL and pension expense by employer, before we issue the full companion report for the employer's financial reporting for EBMUDERS under GASBS 68.

These two schedules have been developed based on the assumptions, methods, and results shown in our GASBS 67 report dated January 5, 2024. Exhibits A1 and A2 detail the method used for allocating the NPL and they provide the NPL amounts allocated to the two systems in EBMUDERS, i.e., the Water System and the Wastewater System, as of June 30, 2022 and June 30, 2023, respectively.¹

Exhibit B summarizes the allocated NPL, deferred outflows and inflows of resources, and pension expense by the two systems. Additional information required under GASBS 68 that both of the systems will need to disclose will be provided in a separate report.

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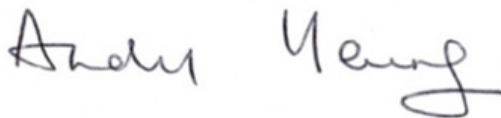
¹ The June 30, 2022 and June 30, 2023 NPL have been allocated to the two systems in proportion to the employer contributions made by those systems during fiscal years 2021-2022 and 2022-2023, respectively.

part, without the consent of Segal. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please give us a call if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Andy Yeung". The signature is written in a cursive, flowing style.

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

bts/bbf
Enclosures

cc: Yenny Coburn
David Glasser
Steven Goodman-Leibof
Robert Hannay
Winsun Hsieh
Melody Wang

Schedule of Employer Allocations as of June 30, 2022

Actual Employer Contributions by System July 1, 2021 to June 30, 2022

System	Contributions	Percentage ⁽¹⁾
Water System	\$78,619,000	86.023%
Wastewater System	<u>12,774,000</u>	<u>13.977%</u>
Total for both Systems	\$91,393,000	100.000%

⁽¹⁾ The unrounded percentages are used in the allocation of the NPL amongst systems.

Allocation of June 30, 2022 Net Pension Liability

System	NPL	Percentage
Water System	\$714,351,412	86.023%
Wastewater System	<u>116,067,680</u>	<u>13.977%</u>
Total for both Systems	\$830,419,092	100.000%

Notes:

Based on the July 1, 2021 through June 30, 2022 employer contributions as provided by EBMUDERS.

The Net Pension Liability (NPL) is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets). The NPL, TPL, and Plan Fiduciary Net Position totals for both systems combined are provided in Segal's June 30, 2022 GASBS 67 valuation report dated March 2, 2023.

A system's share of the total plan NPL is the ratio of the system's contributions to the plan's total employer contributions.

Schedule of Employer Allocations as of June 30, 2023

**Actual Employer Contributions by System
 July 1, 2022 to June 30, 2023**

System	Contributions	Percentage ⁽¹⁾
Water System	\$81,711,000	85.918%
Wastewater System	<u>13,392,000</u>	<u>14.082%</u>
Total for both Systems	\$95,103,000	100.000%

(1) The unrounded percentages are used in the allocation of the NPL amongst systems.

Allocation of June 30, 2023 Net Pension Liability

System	NPL	Percentage
Water System	\$687,594,117	85.918%
Wastewater System	<u>112,693,033</u>	<u>14.082%</u>
Total for both Systems	\$800,287,150	100.000%

Notes:

Based on the July 1, 2022 through June 30, 2023 employer contributions as provided by EBMUDERS.

The Net Pension Liability (NPL) is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets). The NPL, TPL, and Plan Fiduciary Net Position totals for both systems combined are provided in Segal's June 30, 2023 GASBS 67 valuation report dated January 5, 2024.

A system's share of the total plan NPL is the ratio of the system's contributions to the plan's total employer contributions.

Schedule of Pension Amounts by Employer as of June 30, 2023

<u>Deferred Outflows of Resources</u>	Water System	Wastewater System	Total for all Systems
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	\$983,243	\$467,659	\$1,450,902
Changes of Assumptions or Other Inputs	61,355,350	10,055,817	71,411,167
Net Excess of Projected over Actual Earnings on Pension Plan Investments (if any)	45,925,634	7,526,968	53,452,602
Differences Between Actual and Expected Experience in the Total Pension Liability	<u>67,415,798</u>	<u>11,049,092</u>	<u>78,464,890</u>
Total Deferred Outflows of Resources	\$175,680,025	\$29,099,536	\$204,779,561
<u>Deferred Inflows of Resources</u>			
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	\$467,659	\$983,243	\$1,450,902
Changes of Assumptions or Other Inputs	0	0	0
Net Excess of Actual over Projected Earnings on Pension Plan Investments (if any)	0	0	0
Differences Between Expected and Actual Experience in the Total Pension Liability	<u>16,096,360</u>	<u>2,638,108</u>	<u>18,734,468</u>
Total Deferred Inflows of Resources	\$16,564,019	\$3,621,351	\$20,185,370
<u>Net Pension Liability</u>			
Net Pension Liability as of June 30, 2022	\$714,351,412	\$116,067,680	\$830,419,092
Net Pension Liability as of June 30, 2023	687,594,117	112,693,033	800,287,150
<u>Pension Expense</u>			
Proportionate Share of Plan Pension Expense	\$139,150,858	\$22,806,088	\$161,956,946
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>502,736</u>	<u>-502,736</u>	<u>0</u>
Total Employer Pension Expense	\$139,653,594	\$22,303,352	\$161,956,946

Notes:

Amounts shown in this exhibit were allocated by system based on the Employer Allocation Percentage calculated in Exhibit A2.

In determining the pension expense:

- Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur.
- Current-period (i.e., 2022-2023) differences between expected and actual experience and changes of assumptions (if any) are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through EBMUDERS determined as of June 30, 2022 (the beginning of the measurement period ending June 30, 2023) and is 5.40 years.
- Prior-period differences between expected and actual experience and changes of assumptions continue to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.
- There was an increase in the total employer pension expense from \$132.0 million calculated last year to \$162.0 million calculated this year. The primary cause of the increase was a reduction in the projected earnings on plan investments. (There was over a 10% reduction in the beginning of year plan assets which prompted a reduction in the projected earnings. The reduction in the projected earnings resulted in a \$23.8 million increase in this year's pension expense, compared to last year's.)

The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired member.
- Dividing the sum of the above amounts by the total number of active employees and nonactive and retired members.