

MOUNTAIN VALLEY LIBRARY SYSTEM

Administrative Council Meeting

January 11, 2024

9:00 a.m.

Join Zoom Meeting

<https://us02web.zoom.us/j/87659813970?pwd=YIFZdEFqRWpldU1GcVAvUWt6QnhMdz09>

Meeting ID: 876 5981 3970

Passcode: 036135

Phone: +1 669 444 9171

1. Call to Order Wilczek, Chair
2. Welcome and Roll Call Wilczek
3. Public Invited to Address the Council
4. Approval of Consent Calendar **(ACTION ITEM)** Wilczek
 - A. Approval of Agenda
 - B. Approval of Minutes of Administrative Council Meeting May 31, 2023 Attachment 1, pg. 3
5. Discussion of MVLS Courier Services and Related Costs Attachment 2, pg. 7
6. Discussion of CalPERS Obligation and Set-Aside **(ACTION ITEM)** Attachment 3, pg. 9
7. Announcements
8. Adjournment

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Brown Act: This meeting abides by Cal. Gov't Code § 54953.

Cal. Gov't Code § 54953(b)(1) "Notwithstanding any other provision of law, the legislative body of a local agency may use teleconferencing for the benefit of the public and the legislative body of a local agency in connection with any meeting or proceeding authorized by law. The teleconferenced meeting or proceeding shall comply with all otherwise applicable requirements of this chapter and all otherwise applicable provisions of law relating to a specific type of meeting or proceeding."

Cal. Gov't Code § 54953(j)(6) A "teleconference" is "a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both."

Gov't Code § 54953 (b)(2) "Teleconferencing, as authorized by this section, may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. If the legislative body of a local agency elects to use teleconferencing, the legislative body of a local agency shall comply with all of the following:

- (A) All votes taken during a teleconferenced meeting shall be by rollcall.
- (B) The teleconferenced meetings shall be conducted in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body of a local agency.
- (C) The legislative body shall give notice of the meeting and post agendas as otherwise required by this chapter.
- (D) The legislative body shall allow members of the public to access the meeting and the agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3."

Gov't Code § 54953 (3) "If the legislative body of a local agency elects to use teleconferencing, it shall post agendas at all teleconference locations. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as provided in subdivisions (d) and (e)."

Meeting Locations

Alpine County Library, 270 Laramie Street, Markleeville, CA 96120

Colusa County Library, 738 Market Street, Colusa, CA 95932

El Dorado County Library, 345 Fair Lane, Placerville, CA 95667

Folsom Public Library, 411 Stafford Street, Folsom, CA 95630

Lincoln Public Library, 485 Twelve Bridges Drive, Lincoln, CA 95648

Mono County Library, 400 Sierra Park Road, Mammoth Lakes, CA 93546

Nevada County Library, 980 Helling Way, Nevada City, CA 95959

Placer County Library, 145 Fulweiler Avenue Suite 150, Auburn, CA 95603

Roseville Public Library, 316 Vernon Street, Suite 400, Roseville CA 95678

Sacramento Co. Public Law Library, 609 9th Street, Sacramento, CA 95814

Sacramento Public Library, 828 I Street, Sacramento, CA 95814

Sutter County Library, 750 Forbes Avenue, Yuba City, CA 95991

Woodland Public Library, 250 First Street, Woodland, CA 95695

Yolo County Library, 226 Buckeye, Woodland, CA 95695

Yuba County Library, 303 Second Street, Marysville, CA 95901

NLS Administrative Office, 32 West 25th Avenue, Suite 201, San Mateo, CA 94403

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DRAFT MINUTES MOUNTAIN VALLEY LIBRARY SYSTEM May 31, 2023

1. MVLS Chair, Hunt, called the meeting to order at 11:01 a.m.

2. Roll Call:

Present	Absent	MEMBER LIBRARY	Representative
	x	Alpine County Library	Rita Lovell
x		Colusa County Library	Stacey Costello
	x	CSU Chico University Library	John Wang
x		El Dorado County Library	Bryce Lovell
x		Folsom Public Library	Thomas Gruneisen
x		Lincoln Public Library	Kathryn Hunt
	x	Nevada County Library	Nick Wilczek
x		Placer County Library	Mary George
x		Roseville Public Library	Natasha Martin
	x	Sacramento Co. Public Law Lib.	Pete Rooney
	x	Sacramento Public Library	Peter Coyl
x		Sutter County Library	Ayla Elkins
x		Woodland Public Library	Greta Galindo
x		Yolo County Library	Diana Lopez
x		Yuba County Library	Sandeep Sidhu

Also present from Pacific Library Partnership were Carol Frost, Andrew Yon, and Jacquie Brinkley.

3. No Public in attendance.

4. Approval of Consent Calendar

Motion to approve the Consent Calendar. Gruneisen moved; Martin seconded. Vote taken by roll call, all votes in favor, motion passed unanimously.

5. Nomination and Election of FY 2023-24 Officers

Hunt nominated Wilczek to move from Vice Chair to Chair. Bryce Lovell volunteered to serve as Vice Chair.

Motion to elect Wilczek as Chair and Bryce Lovell as Vice-Chair for MVLS Officers FY 2023-24. Costello moved; Lopez seconded. Vote taken by roll call, all votes in favor, motion passed unanimously.

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6. Approve Renewal of Am-Tran Delivery Contract for FY 2023-24

Yon presented the NLS staff recommendation for renewal of the Am-Tran delivery contract, now in its second year of a 3-year contract (with two 1-year options for extended renewal). Yon noted that a **3% CPI** increase based on the contractual CPI Index maximum will be added July 1, 2023. The contract total for **FY 2023-24 is \$63,329**, which excludes costs for gas surcharges. Yon noted that MVLS will use CLSA funds to offset courier costs for FY 2023-24.

Motion to approve renewal of the Am-Tran Delivery Contract for FY 2023-24.

George moved; Costello seconded. Vote taken by roll call, all votes in favor, motion passed unanimously.

George expressed concern of ongoing and increasing costs of delivery service for MVLS with no source of revenue to offset this expenditure and suggested MVLS meet in the future to re-evaluate the value of this expenditure. George noted that Placer County Library does not use delivery to the extent that other MVLS members utilize this service.

Frost stated that NLS had commissioned a delivery study as part of the Link+ proposal and could expand on the study results to explore more effective means of delivery. Frost noted that NBCLS is also experiencing higher costs for delivery services and may also want to evaluate the value of these services. Frost suggested that MVLS could bring this topic to the June 2023 Annual Administrative Council meeting to discuss whether NLS could continue the study for NLS as a whole.

George stated that they had no expectation to begin research on this topic as early as June but requested that MVLS meet mid-year to review this discussion item.

Hunt clarified that no action would be taken at this time and MVLS was not prepared to discuss it at the June 2023 annual meeting.

Gruneisen stated that he appreciated the comments and noted that Folsom's use of delivery is important for that community as they cannot afford Link+.

7. Review of the MVLS CalPERS FY 2023-24 Position and Approval of the FY 2023-24 Budget

Yon presented the CalPERS memo and noted that at their October 2019 meeting, the MVLS Council approved paying off the June 30, 2018 Unfunded Accrued Liability balance of \$360,952, with the acknowledgement that there may be future obligations.

Yon reported that the CalPERS Annual Valuation Report ending 6/30/2021 reflects a \$0 balance for FY 2023-24 Unfunded Accrued Liability. The MVLS plan's share of the CalPERS investment pool resulted in net investment gains.

Yon stated that NLS staff recommends that the MVLS Council approve the FY 2023-24 MVLS Budget of \$350 for the GASB 68 Annual Valuation report, and noted that the MVLS CalPERS estimated Fund Balance for 6/30/23 is \$6,686 which may be used to meet current and future obligations.

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Discussion ensued regarding any CalPERS projections for the future. Yon referred to CalPERS projections in the meeting packet (pg. 34). George asked if MVLS should consider a set-aside of funds at this time as a safeguard. George asked if CalPERS provides a “savings account” option, or if PLP would provide this service.

Yon reported that CalPERS provides a savings service for active employers only. PLP could set up a savings account for MVLS that would earn interest.

Gruneisen asked for clarification on the MVLS CalPERS obligation and the number of retirees in the pool.

Frost reviewed the history of NLS and Legacy Systems that had employees and now retirees with CalPERS benefits. Based on the 2021 CalPERS Valuation Report, there are currently 6 retired members of MVLS. Frost stated that NLS will run a current report on the MVLS CalPERS obligation and number of retirees.

Motion to approve the FY 2023-24 Budget. George moved; Martin seconded. Vote taken by roll call, all votes in favor. Costello abstained. Motion approved.

George asked if NLS could collect CalPERS payments as a portion of annual NLS membership dues for future payments.

Frost noted the North State Cooperative Library system as an example of a cost-share and savings model.

Costello announced they had to leave the meeting and that they would be abstaining from this vote as Colusa County Library pays CalPERS through their former membership in the North State system. Costello confirmed that Colusa County Library would not pay as an MVLS member if a vote was approved to collect in the future from all members.

Hunt noted that they recalled a discussion that Invoicing with annual NLS Member Dues would be used for collecting CalPERS obligations from members in the future.

Martin agreed to include CalPERS obligations in annual NLS Member Dues invoicing.

George agreed with Invoicing and supported creating a set-aside fund for the future.

Yon commented that it was fiscally prudent to plan for the future.

Frost shared the cost-share formula approved by MVLS Council Members in 2019.

Hunt proposed a meeting to be scheduled later in the year once annual budgets are determined to review options for MVLS and offered to follow-up with NLS staff to schedule a mid-year meeting.

8. Review of Yuba College Library Memo and Discussion of MVLS Membership for Future Inquiries

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Frost provided background information on the April 2023 inquiry about NLS/MVLS membership from the Yuba College Library and the history of legacy system membership as it related to this inquiry. Yuba College Library declined any further interest in rejoining MVLS once they understood that the NLS Library-to-Go/OverDrive consortia collection would not be available to them as an academic member.

Gruneisen thanked Frost for the explanation of the NLS legacy system history and agreed that any former member asking to rejoin would have CalPERS obligations as they directly benefitted from the services of those employees.

Discussion ensued regarding former members asking to rejoin MVLS and that they would be required to make whole all financial obligations from the time membership was terminated.

9. Schedule Next MVLS Meeting

George asked if they could make an announcement before this item was discussed as it may have bearing on the outcome.

10. Announcements

George discussed the NLS Strategic Priorities as approved by the NLS Administrative Council and announced that the Ad Hoc Committee would be reaching out to NLS system Chairs and Vice-Chairs to meet and to delegate leadership on each of the initiatives from the approved Priorities list. The Ad Hoc Committee will convene an initial meeting soon after the NLS Annual Meeting and then again mid-year to track progress. This Committee will provide updates by written report to the Executive Committee and to the Administrative Council at mid-year and annual meetings. George emphasized that the Ad Hoc Committee felt it was important to demonstrate collaboration and effective working relationships and is making a concerted effort to include all NLS libraries and staff in this NLS initiative. George suggested that MVLS schedule their next meeting for late summer 2023.

Hunt will work with Brinkley to schedule that meeting.

11. Meeting adjourned at 12:01 p.m.

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To: MVLS Administrative Council
From: Jacquie Brinkley, NLS System Coordinator
Subject: Discussion of MVLS Courier Services and Related Costs
Date: January 11, 2024

Background

At the May 31, 2023 meeting, while discussing the Am-Tran courier services contract renewal, the MVLS Administrative Council discussed the value of the shared courier service. One member expressed concern about the ongoing and increasing costs of courier service for MVLS with no source of revenue to offset this expenditure. There was an observation that one or more of the libraries may not use the courier service to the extent of other MVLS members.

There was discussion regarding the study NLS performed regarding courier services as it related to Link+, and whether that might assist MVLS in their decision making.

It was requested that MVLS meet mid-year to review and evaluate the value of the courier service and determine any next steps.

Current Courier Contract

The current Am-Tran three-year contract is July 1, 2022 through June 30, 2025, with two years of one-year options to renew, for a total of five years, with a CPI increase not exceeding 3% annually. The five-year costs for the contract are noted in the chart below. Cost variances take into account the gas surcharges.

Library	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Alpine County Library					
Colusa County Library	\$4,826	\$5,010	\$5,110	\$4,475	\$5,919
El Dorado County Library	\$2,413	\$2,505	\$2,555	\$972	\$317
Folsom Public Library	\$9,652	\$10,019	\$10,220	\$8,951	\$11,837
Lincoln Public Library	\$2,413	\$2,505	\$2,555	\$2,237	\$2,959
Mono County Free Library					
Nevada County Library					
Placer County Library	\$2,413	\$2,505	\$2,555	\$2,237	\$2,959
Roseville Public Library	\$2,413	\$2,505	\$2,555	\$2,237	\$2,959
Sacramento Public Library	\$12,064	\$12,524	\$12,775	\$11,189	\$14,796
Sutter County Library	\$9,652	\$10,019	\$10,220	\$8,951	\$11,837
Woodland Public Library	\$9,652	\$10,019	\$10,220	\$8,951	\$11,837
Yolo County Library	\$483	\$627	\$639	\$972	\$297
Yuba County Library					
Total	\$55,981	\$58,238	\$59,404	\$51,172*	\$65,717

*NLS allocated \$25,000 of CLSA funds to NBCLS and MVLS to offset costs related to increased courier costs due to gas surcharges.

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The five-year annual usage of courier services is noted in the chart below.

Library	FY 19-20 Calculated Count	FY 19-20 Stops / Week	FY 20-21 Calculated Count	FY 20-21 Stops /Week	FY 21-22 Calculated Count	FY 21-22 Stops /Week	FY 22-23 Calculated Count	FY 22-23 Stops /Week	FY23-24 Calculated Count (Aug & Oct 2023)	FY 23-24 Stops /Week
Alpine County Library										
Colusa County Library	592	2	702	2	930	2	917	2	533	2
Dixon*	65	1	0		0		0		0	
El Dorado County Library***	39	1	39	1	33	1	13	1	13	1
Folsom Public Library	3,536	4	3,764	4	4,160	4	4,277	4	2,119	4
Lincoln Public Library	33	1	7	1	13	1	33	1	20	1
Mono County Free Library										
Nevada County Library										
Placer County Library	26	1	46	1	33	1	52	1	26	1
Roseville Public Library	39	1	46	1	46	1	46	1	26	1
Sacramento Public Library	7,670	5	8,801	5	7,898	5	8,405	5	3,991	5
Sutter County Library	1,781	4	1,599	4	1,859	4	2,015	4	1,079	4
Woodland Public Library	1,554	4	1,703	4	1,788	4	1,866	4	1,008	4
Yolo County Library**	26	1	0	1	7	1	7	1	7	1
Yuba County Library										
Total	15,360	25	16,705	24	16,764	24	17,628	24	8,821	24

*Dixon became part of Solano County in FY 2019-20

** FY 2020-21: Yolo County library reduce delivery to 1 stop/month

*** FY 2022-23: El Dorado County reduced delivery from 1/week to 1/month

Calculated count: total of four 2-week counts (August/October/January/April-May) x 6.5 multiplier (California State Library formula). Exception for FY 2019-20 with 3 counts due to pandemic. Count based on number of bins, estimate of 30 items per bin.

There was a request to compare the usage statistics of MVLS to that of the North Bay Cooperative Library System (NBCLS). The comparison is not exact, as the Mendocino County Libraries use the courier service as their internal branch pick-up, so the number of stops and volume is higher. The FY 2023-24 NBCLS courier contract is \$284,986.

	FY 19-20 Calculated Count	FY 20-21 Calculated Count	FY 21-22 Calculated Count	FY 22-23 Calculated Count
MVLS	15,373	16,705	16,393	17,674
NBCLS	807,105	788,255	650,650	794,365

In reviewing the NLS Link+ Courier study which was presented to the NLS Administrative Council in June 2018, the Sprint courier identified viable locations for delivery. Of the libraries within MVLS, it could deliver to the libraries currently receiving courier service, with the addition of Yuba County Library.

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To: MVLS Administrative Council
From: Kathryn Hunt
Subject: Discussion of MVLS CalPERS
Date: January 11, 2024

Background

At their October 2019 meeting, the MVLS Administrative Council approved paying off the June 30, 2018 Unfunded Accrued Liability balance of \$360,952, with the acknowledgement that there may be future obligations. Since then, there have been some smaller annual payments.

At the June 7, 2022 meeting, the Council approved the payoff of the Unfunded Accrued Liability balance in the amount of \$30,763 ending June 30, 2020 for FY 2022-23 employer contributions, including the Prepayment amount of \$3,626. This amount was the result of MVLS plan's share of CalPERS investment pool's losses. The Unfunded Accrued Liability balance was paid using \$20,000 of contingency funds as well as use of \$10,763 of the MVLS Fund Balance.

At the May 31, 2023 meeting, when the MVLS Administrative Council was discussing the CalPERS valuation report, discussion ensued regarding any CalPERS projections for the future.

There was discussion about whether MVLS should consider a set-aside of funds as a safeguard. It was asked if CalPERS provides a "savings account" option to prefund the required pension contributions and unfunded liability payments known as the California Employer's Pension Prefunding Trust (CEPPT), or if PLP would provide this service. It was clarified that CalPERS provides the CEPPT service for only active employers with employees, and that PLP could set up a savings account for MVLS that would earn interest.

It was agreed that a meeting would be scheduled later in the year once annual budgets are determined to review options for MVLS, including:

- Clarification on the MVLS CalPERS obligation
- Number of retirees
- Discussion of creating a set-aside fund for the future

CalPERS Obligations

Staff have spoken with a CalPERS Senior Pension Actuary representing MVLS CalPERS plan. In order to obtain a precise pay-off of the Plan termination amount, MVLS would need to commit to terminating the MVLS CalPERS plan and CalPERS will move forward and complete the necessary calculations for the payoff payment amount based on the MVLS Council's

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approved predetermined payoff date. The process can take up to three months to complete, thus, the reason for using page 22 as a basis to estimate the payoff amount.

CalPERS has indicated that should MVLS like to move forward with terminating the MVLS CalPERS Plan, MVLS should use the estimated Unfunded Termination Liability numbers in the latest FY22-23 MVLS Valuation Report, page 22 (see **Exhibit A**) as CalPERS can only provide the exact payoff amount when they are notified officially of the intent to terminate the CalPERS Plan.

The chart below is from Exhibit A, using the conservative Discount Rate of 1.75% (rate of return), MVLS has total assets of \$973,036 that is with CalPERS and a \$1,849,095 total Termination Liability for the Plan, so MVLS would need to pay \$876,059 (Unfunded Termination Liability) to terminate the Plan. To pay-off the annual UAL balance by February 2024, the UAL balance payoff amount is estimated to be \$41,709.

Discount Rate: 1.75% Price Inflation: 2.50%			Discount Rate: 4.50% Price Inflation: 2.75%			
Market Value of Assets (MVA)	Termination Liability ^{1,2}	Funded Ratio	Unfunded Termination Liability	Termination Liability ^{1,2}	Funded Ratio	Unfunded Termination Liability
\$973,036	\$1,849,095	52.6%	\$876,059	\$1,358,726	71.6%	\$385,690

¹ The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A of the Section 2 report.

² The discount rate 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 3.38% on June 30, 2022, the valuation date.

Approved Cost Share Model

At the October 29, 2019 MVLS Administrative Council meeting, the Council adopted the cost share model consisting of 50% of population and 50% of budget from the State Library Statistics. The formula does not include Colusa County Library, as they are participating in the North State Cooperative Library System’s CalPERS unfunded liability obligations.

The chart below has been updated using the most recent data reported to the State Library and includes two scenarios: the payoff of the Unfunded Accrued Liability (UAL) Termination using the Discount Rate of 1.75%, and the UAL Balance (estimated for February 2024) of \$41,709.

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Unfunded Accrued Liability (UAL) Termination at 1.75% = \$876,059

Library	2022-23 CSL Certified Population	FY2022-23 Budget Expenditure	50% Base on Population	50% Based on Budget Size	Total Proposed Unfunded Liability Cost
Alpine	1,184	\$ 278,358	\$ 193	\$ 1,308	\$ 1,501
Colusa			\$ -	\$ -	\$ -
El Dorado	189,006	\$ 4,239,195	\$ 30,861	\$ 19,914	\$ 50,774
Folsom	85,498	\$ 1,726,898	\$ 13,960	\$ 8,112	\$ 22,072
Lincoln	52,313	\$ 935,699	\$ 8,542	\$ 4,395	\$ 12,937
Mono	13,156	\$ 1,178,282	\$ 2,148	\$ 5,535	\$ 7,683
Nevada	100,720	\$ 5,153,200	\$ 16,445	\$ 24,207	\$ 40,653
Placer	198,457	\$ 8,761,911	\$ 32,404	\$ 41,159	\$ 73,563
Roseville	152,928	\$ 3,588,778	\$ 24,970	\$ 16,858	\$ 41,828
Sacramento	1,486,955	\$ 54,577,619	\$ 242,787	\$ 256,379	\$ 499,166
Sutter	98,952	\$ 1,835,514	\$ 16,157	\$ 8,622	\$ 24,779
Woodland	59,881	\$ 2,282,310	\$ 9,777	\$ 10,721	\$ 20,498
Yolo	160,999	\$ 7,919,288	\$ 26,288	\$ 37,201	\$ 63,489
Yuba	82,677	\$ 770,002	\$ 13,499	\$ 3,617	\$ 17,116
Total	2,682,726	\$ 93,247,054	\$ 438,030	\$ 438,030	\$ 876,059

Unfunded Accrued Liability (UAL) Balance (February 2024) = \$41,709

Library	2022-23 CSL Certified Population	FY2022-23 Budget Expenditure	50% Base on Population	50% Based on Budget Size	Proposed Annual Unfunded Liability Cost
Alpine	1,184	\$ 278,358	\$ 9	\$ 62	\$ 72
Colusa			\$ -	\$ -	\$ -
El Dorado	189,006	\$ 4,239,195	\$ 1,469	\$ 948	\$ 2,417
Folsom	85,498	\$ 1,726,898	\$ 665	\$ 386	\$ 1,051
Lincoln	52,313	\$ 935,699	\$ 407	\$ 209	\$ 616
Mono	13,156	\$ 1,178,282	\$ 102	\$ 264	\$ 366
Nevada	100,720	\$ 5,153,200	\$ 783	\$ 1,153	\$ 1,936
Placer	198,457	\$ 8,761,911	\$ 1,543	\$ 1,960	\$ 3,502
Roseville	152,928	\$ 3,588,778	\$ 1,189	\$ 803	\$ 1,991
Sacramento	1,486,955	\$ 54,577,619	\$ 11,559	\$ 12,206	\$ 23,765
Sutter	98,952	\$ 1,835,514	\$ 769	\$ 411	\$ 1,180
Woodland	59,881	\$ 2,282,310	\$ 466	\$ 510	\$ 976
Yolo	160,999	\$ 7,919,288	\$ 1,252	\$ 1,771	\$ 3,023
Yuba	82,677	\$ 770,002	\$ 643	\$ 172	\$ 815
Total	2,682,726	\$ 93,247,054	\$ 20,855	\$ 20,855	\$ 41,709

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The CalPERS process to terminate the plan includes:

1. Notify CalPERS Contract Termination Division that MVLS would like to officially terminate the contract plan at a predetermined date.
2. CalPERS Contract Termination Division will provide a pre-termination payoff letter based on the payment date.
3. CalPERS Contract Termination Division will provide additional paperwork to terminate the contract plan.
4. MVLS board will need to adopt a board resolution to approve the termination of MVLS CalPERS contract plan with public notification. CalPERS Contract Termination Division will need the approved board resolution to start the contract termination process.
5. CalPERS Contract Termination Division will prepare the calculations on the exact pay-off amount and will provide a Pre-termination Payoff Letter. CalPERS will require a lump-sum payment by the payoff date.

MVLS had a total of 10 employees. Of those:

- Six are retired and collecting benefits
- Two have terminated their CalPERS membership
- One has not yet retired
- One is deceased

There would be no additional fiscal impact regarding CalPERS costs to MVLS should the additional former employee choose to retire.

The MVLS fund balance as of June 30, 2023 is estimated to be \$6,686.

Recommendation

It is recommended that the MVLS Administrative Council discuss whether it would like to create a set-aside fund for the future termination of the MVLS CalPERS contract plan, including the annual contribution amount, and the timeline to adequately fund the Unfunded Termination Liability balance by the approved payoff date, bearing in mind that future market volatility may change the Unfunded Termination Liability balance, and the process for doing so.

Funded Status – Termination Basis

The funded status measured on a termination basis is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2022. The accrued liability on a termination basis (termination liability) is calculated differently compared to the plan’s ongoing funding liability. For the 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. Unlike the actuarial cost method used for ongoing plans, the termination liability is the present value of the benefits earned through the valuation date.

A more conservative investment policy and asset allocation strategy was adopted by the 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 seven months after.

Market Value of Assets (MVA)	Discount Rate: 1.75% Price Inflation: 2.50%			Discount Rate: 4.50% Price Inflation: 2.75%		
	Termination Liability ^{1,2}	Funded Ratio	Unfunded Termination Liability	Termination Liability ^{1,2}	Funded Ratio	Unfunded Termination Liability
\$973,036	\$1,849,095	52.6%	\$876,059	\$1,358,726	71.6%	\$385,690

¹ The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A of the Section 2 report.

² The discount rate 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 3.38% on June 30, 2022, the valuation date.

In order to terminate the plan, first contact our Pension Contract Services unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. Before beginning this process, please consult with the plan actuary.