July 14, 2025

Mr. Michael Rister
Executive Director
Associated Students Inc. CSU San Bernardino
5500 University Parkway
San Bernardino CA 92407

Re: Associated Students Inc. CSU San Bernardino Postretirement Benefit Plan
Other Post-Employment Benefit Disclosures for Fiscal Year End June 30, 2025
Net Periodic Postretirement Benefit Cost for Fiscal Year Beginning July 1, 2025

Dear Mr. Rister:

We are pleased to enclose our report providing the results of the June 30, 2025, roll forward valuation report of the Postretirement Benefit Plan of Associated Students Inc. CSU San Bernardino (ASI). The report's text describes our analysis and assumptions in detail.

We have prepared the valuation based on the June 30, 2024, valuation rolled forward to June 30, 2025, with adjustments to liabilities based on the change in discount rate from 5.30% to 5.65%, and using assets reported as of June 30, 2025. We have also prepared our valuation based on our experience and judgment and with CSU ASI's agreement that the selected assumptions are appropriate for financial statement reporting purposes. The actuarial assumptions used, and benefits recognized are summarized in the report.

We have provided the schedules which we believe you will need for the disclosure of these liabilities in your Annual Report. All results reported herein are before any tax-effects. If you require additional information, please let us know.

Sincerely,

Michael J. Papendieck, EA, ACA, MAAA
Actuarial Consultant

Enclosure

Associated Students Inc. CSU San Bernardino

OPEB Disclosures for FYE June 30, 2025

Net Periodic Postretirement Benefit Cost for Fiscal Year Beginning July 1, 2025

Submitted july 2025

MacLeod Watts

Table of Contents

A. Executive Summary

This report presents the results of the June 30, 2024, roll forward valuation report of the Associated Students Inc. CSU San Bernardino (ASI) Postretirement Benefit Plan ("Plan"). The purpose of this valuation was to assess liabilities for other post-retirement benefit obligations of the Plan for financial statement reporting purposes.

In summary, under the actuarial methods and assumptions described later in this report:

- We calculate the accumulated postretirement benefit obligation to be $487,858 as of June 30, 2025. ASI reported assets of $1,085,665 set aside in an irrevocable trust to offset these liabilities. Thus, the funded status of the plan as of this date is $597,807.

- We calculate the net periodic postretirement benefit cost (NPPBC) for the fiscal year ending June 30, 2025, to be $(20,466). The NPPBC did not change from the expense calculation shown in our prior 2024 report.

- Contributions to the plan for the fiscal year ending June 30, 2025, were reported to be $12,394 representing benefit payments made by CSUSB ASI to or on behalf of retirees during the period.

- Assuming no significant changes in the covered participants or plan benefits, we calculate the net periodic postretirement benefit cost (income) for the fiscal year ending June 30, 2026, to be $(34,476).

Details of our valuation process and the various disclosures required by the Accounting Standards described above are provided on the succeeding pages.

B. Valuation Process

Participant and Asset Data

The calculation of benefit obligations as of June 30, 2025, is based on employee census data initially submitted to us by ASI in July 2024 and clarified in various related communications. Summaries of that data are provided in Section H. While the individual employee records have been reviewed to verify that it is reasonable in various respects, the data has not been audited, and we have otherwise relied on ASI as to its accuracy. The benefits provided under the Plan are described in the Summary of Current Substantive Plan Provisions.

Actuarial Calculations

The valuation described below has been performed in accordance with the actuarial methods and assumptions described beginning on page 13. While we have prepared our valuation based on our experience and judgment, the final responsibility for selection of assumptions for financial statement reporting purposes is placed with the plan sponsor. It is our understanding that the discount rates selected should reflect expected "rates of return on high-quality fixed-income investments currently available whose cash flows match the timing and amount of expected benefit payments" and which are considered suitable for this purpose. The discount rate of 5.30% at fiscal year end June 30, 2024, was selected by the methodology described in Appendix 1.

The specific development of the liability and cost figures shown beginning on page 6 (Disclosures) and page 9 (Net Periodic Post-Retirement Benefit Cost) are calculated using the projected unit credit cost method described on page 17. We applied the trend assumption to develop an expected premium and/or benefit stream over each employee's expected remaining retirement and calculated a present value of these premiums at retirement (or the measurement date, if later). These expected benefit liabilities were then calculated as of the measurement date of June 30, 2025. Service Cost represents the actuarial cost of benefits attributed to the current fiscal year.

The following change in actuarial assumptions was made since the last report:

1) The discount rate increased from 5.30% to 5.65%

Age-related Claim Costs

The Accounting Standards Codification (ASC 715-60) specifically requires that historical per capita claims cost by age be considered in determining the expected claims or benefits to be paid to retirees. We believe the liabilities developed in this valuation adequately reflect the expected future retiree healthcare claims.

Valuation Process
(Continued)

Age-related Claim Costs for Medicare Retirees

Pooled plans that do not blend active and retiree premiums are likely to generate subsidies between employers and retirees within the pool. In the CalPERS medical program, the premium rates for Medicare-covered retirees are based only on retiree claims experience of the pool. A recent actuarial practice note indicated these subsidies should be included in plan liabilities to the extent they are paid by the employer.[1] We generally expect these subsidies to be small and included any such liability with the implicit subsidy liability in this report.

Clarifications

The actuarial computations in this report are for the purpose of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the FASB standards for financial statement reporting purposes. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein. Accordingly, additional determinations are needed for other purposes, such as judging benefit security at termination or adequacy of funding for an ongoing plan.

This report does not take a position on whether the ASI should pre-fund or the appropriate vehicle for doing so. To the extent that any issues in this report involve legal analysis of applicable law or regulations, the ASI should consult counsel on these matters. MacLeod Watts does not practice law and does not intend anything in this report to constitute legal advice. Finally, the application of FASB standards to the ASI, including timing, involves accounting issues on which an appropriately qualified accountant should be consulted.

[1] Exceptions exist for: 1) Medicare Advantage Plans: these plans are treated as if their premiums are age-based due to the nature of the Federal subsidies paid to these plans. 2) Plans with low explicit subsidies to Medicare-covered retirees: in these plans no part of any potential pool subsidy is expected to be paid by the employer.

Valuation Process
(Continued)

Gain and Loss Analysis

A reconciliation of plan liabilities and assets since the prior valuation is shown below. A net plan gain of $115,560 occurred during the period ending June 30, 2025.

Reconciliation of Changes During Measurement Period	Total APBO (a)	Plan Assets (b)	Funded Status (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2024 *Measurement Date 6/30/2024*	$ 511,307	$ 970,412	$ (459,105)
Expected Changes During the Period:			
Service Cost	20,659		20,659
Interest Cost	26,818		26,818
Expected Investment Income		58,225	(58,225)
ASI Contributions		12,394	(12,394)
Benefit Payments	(12,394)	(12,394)	-
Total Expected Changes During the Period	35,083	58,225	(23,142)
Expected at Fiscal Year Ending 6/30/2025 *Measurement Date 6/30/2025*	$ 546,390	$ 1,028,637	$ (482,247)
Unexpected Changes During the Period:			
Change Due to Investment Experience		57,028	(57,028)
Change Due to Change in Discount Rate	(58,532)		(58,532)
Total Unexpected Changes During the Period	(58,532)	57,028	(115,560)
Balance at Fiscal Year Ending 6/30/2025 *Measurement Date 6/30/2025*	$ 487,858	$ 1,085,665	$ (597,807)

C. Certification

The purpose of this report is to provide the information necessary to complete the disclosures for the Associated Students Inc. CSU San Bernardino post-retirement medical benefit plan as required by financial statement reporting purposes for other postretirement benefit plans for the fiscal year ending June 30, 2025. All results reported herein are prior to any tax effects. The calculations are performed in accordance with generally accepted actuarial principles and practices and our understanding of the applicable accounting standard.

We are not aware of nor does this report reflect any pattern of future benefit increases or anticipated amendments in either benefits or cost-sharing arrangements. The Plan has not been terminated nor are we aware of any decision to terminate the Plan at this time. There were no lump sum cash payments made or transfers of liability during the year large enough to require the recognition of a settlement.

The actuarial assumptions used for this report were selected by us in accordance with our understanding and interpretation of the applicable accounting standards and were authorized by the Plan Sponsor. The discount rate was chosen using the methodology described in Appendix 1. We believe that the assumptions not selected by us do not conflict materially with our judgment.

We do not have any relationship with the Plan or the Plan Sponsor which would impair the objectivity of this report.

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Signed: July 14, 2025

Michael J. Papendieck, EA, ACA, MAAA

J. Kevin Watts, FSA, FCA, MAAA

D. Financial Statement Disclosures

	Fiscal Year Ending Jun 30, 2025	Fiscal Year Ending Jun 30, 2024
1. Change in accumulated postretirement benefit obligation		
a. APBO at beginning of year	$ 511,307	$ 416,737
b. Service cost (excluding expenses)	20,659	9,080
c. Interest cost	26,818	19,984
d. Amendments	0	0
e. Actuarial liability (gain)/loss	(58,532)	75,924
f. Benefits paid	(12,394)	(10,418)
g. APBO at end of year	**$ 487,858**	**$ 511,307**
2. Change in plan assets		
a. Fair value of assets at beginning of year	$ 970,412	$ 861,261
b. Actual return on assets (net of expenses)	115,253	109,151
c. Employer contribution	12,394	10,418
d. Benefits paid	(12,394)	(10,418)
e. Fair value of plan assets at end of year	**$ 1,085,665**	**$ 970,412**
3. Funded status (2e. - 1g.)	**$ 597,807**	**$ 459,105**
4. Amounts recognized in the statement of financial position consist of:		
a. Current assets	0	0
b. Noncurrent assets	597,807	459,105
c. Current liabilities	0	0
d. Noncurrent liabilities	0	0
e. Total	**$ 597,807**	**$ 459,105**
5. Amounts recognized in Accumulated Other Comprehensive Income (AOCI) consist of:		
a. Net actuarial gain/(loss)	$ 380,341	274,500
b. Prior service (cost)/credit	0	0
c. Transition obligation (cost)/credit	0	0
d. Net amount recognized in AOCI	**$ 380,341**	**274,500**
6. Components of net periodic postretirement benefit cost		
a. Service cost (including expenses)	$ 20,659	9,080
b. Interest cost	26,818	19,984
c. Expected return on assets	(58,225)	(51,676)
d. Amortization of unrecognized net (gain)/loss	(9,718)	(10,456)
e. Amortization of unrecognized prior service cost	0	0
f. Amortization of unrecognized transition obligation	0	0
g. Net periodic postretirement benefit cost	**$ (20,466)**	**(33,068)**

Amounts shown are before tax and would ordinarily be tax adjusted prior to inclusion in the financial statements.

Financial Statement Disclosures
(Continued)

		Fiscal Year Ending Jun 30, 2025	Fiscal Year Ending Jun 30, 2024
7.	**Other changes in plan assets and benefit obligations recognized in AOCI**		
	a. Net Actuarial (Gain)/Loss incurred/recognized in year	(115,560)	18,449
	b. Prior Service Cost/(Credit) incurred/recognized in year	0	0
	c. Transition obligation incurred/recognized in year	0	0
	d. Amortization of Actuarial Loss/(Gain)	(9,718)	(10,456)
	e. Amortization of Prior Service Cost	0	0
	f. Amortization of Transition Obligation	0	0
	g. Total Recognized Change in AOCI (7a. - 7bcdef.)	**$ (105,842)**	**$ 28,905**
8.	**Total Recognized in Net Benefit Cost and AOCI**	**$ (126,308)**	**$ (4,163)**
9.	**Accumulated Postretirement Benefit Obligation**	**$ 487,858**	**$ 511,307**
10.	**Weighted-Average Assumptions**		

a. For year-end disclosure	**Jun 30, 2025**	**Jun 30, 2024**
Discount Rate	5.65%	5.30%
Rate of Compensation Increase	NA	NA

b. For determination of NPPBC	**Fiscal Year Ending Jun 30, 2025**	**Fiscal Year Ending Jun 30, 2024**
Discount rate	5.30%	4.85%
Expected rate of return on assets	6.00%	6.00%
Rate of Compensation Increase	NA	NA

11. Plan Asset Allocation

Debt Securities	23.0%	38.0%
Domestic Equity Securities	61.0%	41.0%
International Equity Securities	10.0%	9.0%
Real Estate	6.0%	12.0%
Total	100.0%	100.0%

12. Investment Policy

To be provided by CSUSB-ASI

13.	**Expected Long Term Rate of Return on Assets**	6.0%	6.0%

Financial Statement Disclosures
(Concluded)

14. Expected Benefit Payments

Fiscal Year Ending	Benefit Payments
2026	$ 12,829
2027	53,187
2028	39,663
2029	41,581
2030	43,526
2031 - 2035	148,922

15. Expected Contribution

The results shown in this report assume the Sponsor will continue to contribute an amount equal to the actual benefit payments made during the upcoming fiscal year.

16. Sensitivity Analysis

The effect of a 1% annual increase in the healthcare trend rates would be as follows:

	Increase In Dollars	Percent Increase
a. Service Cost	$ 7,304	42.08%
b. Interest Cost	4,478	15.69%
c. Accumulated Post-retirement Benefit Obligation	71,947	14.75%

E. Determination of Net Periodic Postretirement Benefit Cost

	Fiscal Year Ending Jun 30, 2026	Fiscal Year Ending Jun 30, 2025	Fiscal Year Ending Jun 30, 2024
1. Service cost			
a. Service cost at beginning of year	$ 17,360	$ 19,619	$ 8,660
b. Estimated expenses	0	0	0
c. Interest to year-end	981	1,040	420
d. Service cost (1a. + 1b. + 1c.)	**$ 18,341**	**$ 20,659**	**9,080**
2. Interest cost			
a. Discount rate	5.65%	5.30%	4.85%
b. Accumulated postretirement benefit obligation (APBO) at beginning of year	$ 487,858	$ 511,307	$ 416,737
c. Interest on APBO	27,564	27,099	20,212
d. Expected benefit payments	(12,829)	(10,756)	(9,532)
e. Interest on expected benefit payments	(357)	(281)	(228)
f. Interest cost (2c.+ 2e.)	**$ 27,207**	**$ 26,818**	**$ 19,984**
3. Expected return on assets			
a. Expected rate of return on assets	6.00%	6.00%	6.00%
b. Market related value of assets at beginning of year	$ 1,085,665	$ 970,412	$ 861,261
c. Return on beginning of year assets	65,140	58,225	51,676
d. Expected contributions	12,829	10,756	9,532
e. Return on contributions (weighted for timing)	379	318	282
f. Expected benefit payments	(12,829)	(10,756)	(9,532)
g. Return on benefit payments (weighted for timing)	(379)	(318)	(282)
h. Expected expenses	0	0	0
i. Return on expenses (weighted for timing)	0	0	0
j. Expected return on assets (3c. + 3e. + 3g. + 3.i.)	**$ 65,140**	**$ 58,225**	**$ 51,676**
4. Amortization of:			
a. Unrecognized net obligation (asset) at transition	$ 0	$ 0	0
b. Unrecognized prior service cost	0	0	0
c. Unrecognized net (gain)/loss	(14,884)	(9,718)	(10,456)
d. Total amortization payments (4a. + 4b.)	**$ (14,884)**	**$ (9,718)**	**(10,456)**
5. Net periodic postretirement benefit cost (1d. + 2f. - 3j. + 4d.)	**$ (34,476)**	**$ (20,466)**	**(33,068)**

F. Amortization Amounts

	As of Jul 1, 2025	As of Jul 1, 2024
1. Transition Obligation	Not applicable	
2. Prior Service Cost	No Prior Service Costs	
3. Unrecognized net (gain)/loss subject to amortization		
a. Unrecognized net actuarial (gain)/loss	(380,341)	(274,500)
b. Accumulated postretirement benenfit obligation (APBO)	$ 487,858	$ 511,307
c. Fair value of assets	1,085,665	970,412
d. Greater of 3b. and 3c.	1,085,665	970,412
e. 10% of 3d.	108,567	97,041
f. Excess of absolute value of 3a. over 3e.	(271,774)	(177,459)
g. Average remaining service years of participation	18.26	18.26
h. Amortization of (gain)/loss, 3f. divided by 3g.	**$ (14,884)**	**$ (9,718)**

G. Projected Benefit Payments

Fiscal Year Ending June 30	Benefit Payments
2026	$ 12,829
2027	53,187
2028	39,663
2029	41,581
2030	43,526
2031	45,503
2032	26,085
2033	25,985
2034	25,801
2035	25,548

H. Summary of Employee Data As of June 30, 2024

ASI reported the following active participant data as of the June 30, 2024, valuation date:

Distribution of Benefits-Eligible Active Employees								
	Years of Service							
Current Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up	Total	Percent
Under 25							0	0%
25 to 29		1					1	25%
30 to 34			1				1	25%
35 to 39		1					1	25%
40 to 44							0	0%
45 to 49							0	0%
50 to 54							0	0%
55 to 59							0	0%
60 to 64						1	1	25%
65 to 69							0	0%
70 & Up							0	0%
Total	0	2	1	0	0	1	**4**	**100%**
Percent	0%	50%	25%	0%	0%	25%	**100%**	

Valuation Item	June 2022	June 2024
Average Attained Age for Actives	35.9	39.4
Average Years of Past Service	10.8	11.2

ASI reported the following retired participant data as of the June 30, 2024, valuation date:

Retirees by Age		
Current Age	Number	Percent
Under 70		0%
70 to 74		0%
75 to 79		0%
80 & Up	1	100%
Total	**1**	**100%**
Average Attained Age for Retirees:		82.6

I. Actuarial Methods and Assumptions

Measurement date	June 30, 2025
Accounting Standard	ASC 715-60 (for profit entities)
Funding Method	Projected unit credit
Asset Valuation Method	Market value
Interest	
Discount rate	5.65% as of June 30, 2025
Expected long term return	6.00%, net of plan expenses

Mortality

Mortality rates, illustrated by those shown in the tables below, were projected by applying MacLeod Watts Scale 2022 on a fully generational basis.

Pre-Retirement Mortality

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality		
Age	Male	Female
40	0.00075	0.00039
50	0.00271	0.00199
60	0.00575	0.00455
70	0.01340	0.00996
80	0.04380	0.03403
90	0.14539	0.11086
100	0.36198	0.31582
110	1.00000	1.00000

Post-Retirement Mortality

CalPERS Public Agency Miscellaneous Non-Industrial Deaths		
Age	Male	Female
15	0.00018	0.00010
20	0.00039	0.00014
30	0.00044	0.00019
40	0.00075	0.00039
50	0.00134	0.00081
60	0.00287	0.00179
70	0.00594	0.00404
80	0.01515	0.01149

Retirement Rates

Retirement dates were estimated for each of the 4 active participants. One participant is assumed to retire at age 64, the others at age 61.

Actuarial Methods and Assumptions
(Continued)

Termination Rates

For miscellaneous employees: sum of CalPERS Terminated Refund and Terminated Vested rates for miscellaneous employees – Illustrative rates

Miscellaneous Male Employees: Sum of Vested Terminated & Refund Rates for 0 -19 years of service; refund rates only for 20+ years of service
From CalPERS Experience Study Report Issued November 2021

Attained Age	Years of Service					
	0	5	10	20	25	30
15	0.1851	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1851	0.0927	0.0843	0.0000	0.0000	0.0000
25	0.1769	0.0927	0.0843	0.0377	0.0000	0.0000
30	0.1631	0.0802	0.0804	0.0377	0.0180	0.0000
35	0.1493	0.0677	0.0715	0.0366	0.0180	0.0000
40	0.1490	0.0583	0.0627	0.0337	0.0180	0.0000
45	0.1487	0.0538	0.0562	0.0309	0.0166	0.0000

Miscellaneous Female Employees: Sum of Vested Terminated & Refund Rates for 0 -19 years of service; refund rates only for 20+ years of service
From CalPERS Experience Study Report Issued November 2021

Attained Age	Years of Service					
	0	5	10	20	25	30
15	0.1944	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1944	0.1085	0.1074	0.0000	0.0000	0.0000
25	0.1899	0.1085	0.1074	0.0502	0.0000	0.0000
30	0.1824	0.0977	0.1041	0.0502	0.0252	0.0000
35	0.1749	0.0869	0.0925	0.0491	0.0252	0.0000
40	0.1731	0.0777	0.0809	0.0446	0.0252	0.0000
45	0.1713	0.0710	0.0730	0.0401	0.0213	0.0000

Actuarial Methods and Assumptions
(Continued)

Healthcare Trend Rate

Healthcare premiums, ASI's maximum monthly subsidy toward the cost of coverage, and claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown in the chart below.

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2024	Actual	2040-2043	4.8%
2025	9%/22%*	2044-2049	4.7%
2026	6.0%	2050-2059	4.6%
2027	5.5%	2060-2065	4.5%
2028	5.4%	2066-2067	4.4%
2029	5.3%	2068-2069	4.3%
2030	5.2%	2070	4.2%
2031	5.1%	2071-2072	4.1%
2032-2037	5.0%	2073-2074	4.0%
2038-2039	4.9%	2075 & Later	3.9%

* 9% increase for Pre-Medicare plans, 22% increase for Post-Medicare plans

The healthcare trend shown above was developed using the Getzen Model 2023 published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.4%; Excess Medical Growth 1.0%; Expected Health Share of GDP in 2032 20%; Resistance Point 21%; Year after which medical growth is limited to growth in GDP 2075.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Spouse Coverage

Those active participants currently covering a spouse are assumed to cover a spouse in retirement.

Retired participants currently electing coverage for their spouse are assumed to maintain this election and surviving spouses are assumed to retain coverage until their death.

Other dependents

Participants covering dependent children are assumed to end such coverage when the youngest currently covered dependent reaches age 26.

Participation Rate

Current active and retired participants are assumed to continue their current election through retirement.

Actuarial Methods and Assumptions
(Continued)

Software and Models Used in the Valuation

MacLeod Watts utilizes ProVal, a licensed actuarial valuation software product from Winklevoss Technologies (WinTech) to project future retiree benefit payments and develop the OPEB liabilities presented in this report. ProVal is widely used by the actuarial community. We review results at the plan level and for individual sample lives and find them to be reasonable and consistent with the results we expect. We are not aware of any material inconsistencies or limitations in the software that would affect this actuarial valuation.

We applied an internal model for developing age-based claims costs which we developed from a Society of Actuaries report by Dale Yamamoto (see Appendix 2). The model was reviewed by an external consultant at the time it was developed.

Assumption Change Since the Prior Report

Discount rate	Changed from 5.30% on June 30, 2024, to 5.65% on June 30, 2025

Actuarial Methods and Assumptions
(Concluded)

Description of Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the projected unit credit method of funding. Contribution levels comprise two components:

Service cost
Amortization payments

The objective under this method is to fund each participant's benefits under the plan as they deemed to accrue, taking into consideration future salary increases (if applicable to determining plan benefits). Thus, the total benefit to which each participant is expected to become entitled is broken down into units, each attributed to a year of past or future credited service. When this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a chosen period in accordance with an amortization schedule. Similar unfunded liability changes can occur from changes in plan provisions, changes in actuarial assumptions or methods and plan experience.

A detailed description of the calculation follows:

- An individual's **attributed benefit** for valuation purposes is the benefit described under the plan that would be payable on the expected separation date attributed to service through the current valuation date.
- The **benefit attributed** to an individual during a plan year is the excess of the benefit attributed for valuation purposes at the end of the plan year over the benefit attributed for valuation purposes at the beginning of the plan year. Benefits are calculated from the same projections to the various separation dates.
- The **accumulated postretirement benefit obligation** for an individual is the present value of the attributed benefit for valuation purposes at the beginning of the plan year, and the service cost is the present value of the benefit deemed to accrue in the plan year. If multiple decrements are used, the accumulated benefit obligation and service cost for an individual are the sum of the component accumulated benefit obligation and service costs associated with the various anticipated separation dates. Such accumulated benefit obligation and service costs reflect the attributed benefits as modified to obtain the benefits payable on those dates and the probability of the individual separating on those dates.
- The plan's **service cost** is the sum of the individual service costs, and the plan's **accumulated post-retirement benefit obligation** is the sum of the accumulated post-retirement benefit obligation for all participants under the plan.

J. Summary of Current Substantive Plan Provisions

Effective date	Not provided
Plan year	July 1 – June 30
Benefit eligibility	Retiring employees who satisfy the requirements for retirement under CalPERS are eligible for benefits provided they elect to commence their retirement benefit within 120 days of their retirement date. CalPERS retirement requires an approved disability retirement or attainment of age 50 (age 52 if a miscellaneous employee new to PERS after December 31, 2012) with at least 5 years of State or public agency service. If an employee terminates service without meeting the requirements above, then the employee is ineligible for benefits.
Benefits	Medical plan benefits are provided through CalPERS, as permitted by the Public Employees' Medical and Hospital and Care Act (PEMHCA). As a PEMHCA employer, ASI contributes the same amounts for retired employees and their dependents as a provided for active employee medical plan coverage. ASI currently pays the full medical plan premium for employees and their dependents not to exceed the amounts shown in the chart below. The cap amounts depend on the level of coverage.
Survivor benefits	Upon the death of the retiree, the surviving spouse and other eligible covered dependents, if any, are entitled to continue coverage and receive the subsidy toward the cost of their premium for his or her remaining lifetime.
Material changes since the last report	None.

2024 Maximum Plan Subsidy		
Retiree	Retiree + 1	Retiree + 2
$983.00	$1,890.00	$2,366.00

K. Premium Rates & Claims for the Current Fiscal Year

CalPERS provides medical benefits to California State employees and local agency (PEMHCA) employees. While benefits are essentially identical, monthly rates for coverage of covered active and retired employees are computed separately under the two programs. The CalPERS 2024 monthly premium rates & claims applicable to covered employees are as follows:

Region 3 2024 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield Access+ HMO	756.65	1,513.30	1,967.29	392.68	785.36	1,178.04
Kaiser HMO*	865.41	1,730.82	2,250.07	386.55	773.10	1,159.65
PERS Platinum	1,131.47	2,262.94	2,941.82	448.15	896.30	1,344.45

Premium Rates & Claims for the Current Fiscal Year
(continued)

		Expected Monthly Claims by Medical Plan for Selected Ages - Male											
		Non-Medicare Retirees					Medicare Retirees						
Region	**Medical Plan**	50	53	56	59	62	65	70	75	80	85	90	95
Region 3	Blue Shield Access+ HMO	$ 847	$ 999	$ 1,161	$ 1,330	$ 1,512	*Claims not developed for Medicare Advantage plans*						
	Kaiser HMO	811	956	1,110	1,272	1,447	*Claims not developed for Medicare Advantage plans*						
	PERS Platinum PPO	1,085	1,279	1,486	1,703	1,936	$ 381	$ 427	$ 464	$ 486	$ 480	$ 458	$ 454
		Expected Monthly Claims by Medical Plan for Selected Ages - Female											
		Non-Medicare Retirees					**Medicare Retirees**						
Region	**Medical Plan**	50	53	56	59	62	65	70	75	80	85	90	95
Region 3	Blue Shield Access+ HMO	$ 1,050	$ 1,153	$ 1,241	$ 1,341	$ 1,478	*Claims not developed for Medicare Advantage plans*						
	Kaiser HMO	1,005	1,103	1,187	1,283	1,414	*Claims not developed for Medicare Advantage plans*						
	PERS Platinum PPO	1,345	1,477	1,589	1,717	1,893	$ 365	$ 413	$ 447	$ 467	$ 471	$ 462	$ 454

The table above illustrates rates reflecting the Region 3 rate group. A different rate may apply for the same coverage where the member resides outside of this area. These variances, if any, are reflected in the valuation, but not listed here. Note that these rates vary by county of residence, while the rates given in the valuation of State employees are statewide rates.

Appendix 1: MacLeod Watts Discount Rate Methodology

MacLeod Watts is sometimes asked to suggest a discount rate for the purpose of discounting liabilities for pension or OPEB plans (accounted for ASC 715-30 or 715-60), or pension benefits in individual agreements (accounted for under APB12). The Financial Accounting Standards Board states that "discount rates shall reflect the rates at which the pension benefits could be effectively settled." In making an estimate of the appropriate discount rate "employers may look to rates of return on high-quality fixed-income investments currently available and expected to be available during the period to maturity of the pension benefits." High-quality fixed-income investments are generally understood to be AA-rated or higher non-callable bonds.

To suggest an appropriate discount rate, MacLeod Watts follows the procedure described below.

1. *Obtain the Pension Discount Curve*. The curve produced by FTSE uses bond market data close to the measurement date to produce zero coupon yields for AA-rated non-callable bonds. For durations beyond the yield curve provided we extend the curve by using the last available rate.

2. *Project cash flows for the end of period Projected Benefit Obligation*. Actuarial methods and assumptions as described in MacLeod Watts's actuarial reports are used to estimate the expected cash flow for the plan under consideration.

3. *Calculate the present value of the benefit cash flow using the zero-coupon yields.*

4. *Solve for the single discount rate (used at all durations) that, when used to discount the benefit cash flow, produces the same present value as calculated in step 3.* This rate is the implied discount rate suggested to clients (rounded as appropriate).

The methodology described above is dependent on the data and methodologies used to develop the Pension Discount Curve. We believe this procedure is consistent with paragraphs 186-193 of SFAS No. 106, which sheds light on discount rates appropriate for use in calculating liabilities for post-employment benefits.

Appendix 2: MacLeod Watts Mortality Projection Methodology

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principles in developing a credible mortality improvement model would include the following:

(1) Short-term mortality improvement rates should be based on recent experience.
(2) Long-term mortality improvement rates should be based on expert opinion.
(3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **MacLeod Watts Scale 2022** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2021 Report, published in October 2021 and (2) the demographic assumptions used in the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published August 2021.

MacLeod Watts Scale 2022 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2021 which has two segments – (1) historical improvement rates for the period 1951-2017 and (2) an estimate of future mortality improvement for years 2018-2020 using the Scale MP-2021 methodology but utilizing the assumptions used in generating Scale MP-2015. The MacLeod Watts scale then transitions from the 2020 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2021-2030. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2030-2044. The SSA's Intermediate Scale has a final step in 2045 which is reflected in the MacLeod Watts scale for years 2045 and thereafter. Over the ages 95 to 117, the age 95 improvement rate is graded to zero.

Scale MP-2021 can be found at the SOA website and the projection scales used in the 2021 Social Security Administrations Trustees Report at the Social Security Administration website.

Appendix 3: MacLeod Watts Age Rating Methodology

Both accounting standards (e.g. GASB 75) and actuarial standards (e.g. ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately, the actuary is often required to perform these calculations without any underlying claims information. In most situations the information is not available, but even when available the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant*. For example, a claims cost curve might show that, if a 50 year old male has $1 in claims, then on average a 50 year old female has claims of $1.25, a 30 year male has claims of $0.40, and an 8 year old female has claims of $0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Table 4 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Table 4.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in each valuation report.

Glossary

Accumulated Postretirement Benefit Obligation (APBO) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date on behalf of current plan members and vested prior plan members and their dependents

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value (APV) – The amount presently required to fund a payment or series of payments in the future, it is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

Current Asset – Asset that one can reasonably expect to convert into cash, sell, or consume in operations within a single operating cycle, or within a year if more than one single cycle is completed each year

Current Liability – Obligation whose liquidation is expected to require the use of existing resources classified as current assets, or the creation of other current liabilities.

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Expected Postretirement Benefit Obligation (EPBO) – Total dollars required to fund all plan benefits expected to be paid by the plan on behalf of the current plan members and vested prior plan members and their dependents or beneficiaries; see "Actuarial Present Value"

Financial Accounting Standards Board (FASB) – A private, not-for-profit organization designated by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles (GAAP) for U.S. public corporations

Non-current Asset – Asset that does not meet the definition of "current"; therefore, liquidation of the (net) asset is expected to be more than 12 months from the current date.

Non-current Liability – Obligation which is not expected to become payable or discharged during the following 12 months

Other Postretirement Benefits – Postretirement benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan; also referred to as "other post-employment benefits" or "OPEB"

Projected Unit Credit (PUC) – An actuarial funding method where, for each individual, the projected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Glossary
(Concluded)

Service Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the required funding method

Trend – The healthcare cost trend rate, defined as the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments

Unfunded Expected Postretirement Benefit Obligation – The excess of the expected Postretirement Benefit Obligation over the market-related value of plan assets

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility