



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Report

Human Resources Group

• 2024 Combined Annual Benefits Financial Report

Summary

The following information is reported to the Board of Directors on an annual basis:

- (1) A summary of the activities related to the 401(k) and 457(b) defined contribution plans for the calendar year 2024, including total assets as of calendar year end.
- (2) A summary of the CalPERS defined benefit retirement plan for the period of July 1, 2023, through June 30, 2024. The data presented in this report is based on the most recent CalPERS actuarial valuation. Rates for the fiscal year 2025/26 are based on data from fiscal year 2022/23.
- (3) A summary of group health premiums, fees, and commissions paid to all Agents, Providers, and Brokers for calendar year 2024 as required by California Section 1367.08 of the Health and Safety Code, and Section 10604.5.

Purpose

Informational

Attachments

None

Detailed Report

Metropolitan Defined Contributions Plans

Metropolitan employees may participate in both 457(b) and 401(k) deferred compensation plans. Metropolitan has offered the 457(b) plan since February 1977, and the 401(k) plan since May 1985. Pursuant to the Administrative Code, the General Manager is designated to carry out the powers, duties, and responsibilities of the Plan Administrator. The General Manager has delegated authority to the Assistant General Manager/Chief Financial Officer (CFO) to act as the Plan Administrator. The Assistant General Manager/Chief Administrative Officer (CAO), CFO, and Treasury & Debt Manager served as Plan Trustees until the Deferred Compensation Investment Committee (DCIC) was adopted by the Board on February 14, 2024, to replace the Deferred Compensation Advisory Committee (DCAC) with DCIC members becoming co-fiduciaries.

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Asset/Activity Summary

The following summarizes investment and contribution activities in the plans.

Plan Statistics	401(k) Plan (as of 12/31/23)	401(k) Plan (as of 12/31/24)	457(b) Plan (as of 12/31/23)	457(b) Plan (as of 12/31/24)
Number of Participants (includes retirees)	2,603	2,657	1,932	1,969
Active Employees Eligible to Participate	1,767	1,825	1,872	1,886
Active Employees Contributing	1,634	1,693	1,080	1,135
Percentage of Contributing Participants	92.4%	92.7%	57.6%	60.1%

Key Plan Statistics	401(k) Plan	457(b) Plan
Plan Assets as of December 31, 2024	\$782,403,652	\$231,617,326
Contributions: 01/01 to 12/31/2024	\$23,058,825.84	\$13,471,778.43
Employer Matching: 01/01 to 12/31/2024	\$12,515,225.92	N/A

Deferred Compensation Investment Committee

The Committee Bylaws were approved by the Board as of February 14, 2024, with the new structure. The DCIC meet quarterly, its primary role is investment activity with discussions on administrative issues concerning the plans, plan regulations, and to provide recommendations for amendments to plan documents. The Committee is chaired by the Assistant General Manager/CFO, and the Human Resource Group Manager serves as the Secretary of the Committee.

DCIC Members:

- Assistant General Manager/CAO
- Assistant General Manager/CFO
- Human Resources Group Manager
- Audit Manager
- Treasury & Debt Manager
- Risk Manager
- AFSCME Local 1902 representative
- Management and Professional Employees' Association representative
- Supervisors' Association representative
- Association of Confidential Employees representative
- Metropolitan Retiree

DCIC Staff Support:

- HR Benefits & Medical Services Section Manager
- Principal Benefits Analyst
- General Counsel representatives

Major Actions and Discussions of the Plan Administrator and Investment Committee

- After Tax ROTHs were implemented for both 401(k) and 457(b) plans on July 15, 2024.
- The Board approved the new committee structure and bylaws on February 13, 2024.
- The Committee's name has been changed from the DCAC to the DCIC.
- The DCIC Investment Policy Statement was updated and signed, reflecting cleanup changes, and also to reflect the new name of the DCAC to Deferred Compensation Investment Committee.
- The Deferred Compensation Plans defaulted to the more generous Required Minimum Distribution uniform lifetime table.
- The Plans added the optional consolidation feature allowing retirees to combine their 401(k) and 457(b) plan assets into one account.
- Float Earnings were adopted on **December 5, 2024**, to allow the interest earned by Empower on holding accounts to be reimbursed to MWD plans after costs associated with doing the banking and the transactions are paid to increase assets for plan administration.
- The committee voted on **December 5, 2024**, to approve the renewal of the Financial Finesse contract, effective 7/1/2025 for a 5-year term.
- MWD received a 2024 Marcom Gold Award for the Roth Rollout Campaign. Marcom honors excellence in marketing and communication while recognizing the creativity, hard work, and generosity of industry professionals.

CalPERS Defined Benefit Pension Plan

Metropolitan originally contracted with CalPERS as a Local Miscellaneous agency on January 1, 1945, to administer its pension plan. The plan provides employees with a defined benefit upon retirement based on years of service, age, and salary. Effective July 1, 1971, Metropolitan adopted the 2% age 60 benefit formula. The formula was amended on December 28, 1997, to provide 2% at age 55. Effective January 1, 2012 contract was amended to implement a 5-year vesting schedule for represented members. Represented classic members pay their full employee contribution for their first 5 years of employment before receiving employer-paid member contributions (EPMC), and unrepresented classic members continue to receive EPMC from date of hire. Effective January 1, 2013, Pension Reform changes required that all "new" members to the CalPERS system be enrolled in the 2% at age 62 formula.

The CalPERS employer rate is set annually based on an actuarial valuation performed by a CalPERS actuary. Many factors are used in determining the employer rate including the number of employees, age of employees, payroll, and investment return. 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 6.8 percent, adopted by the Board in November 2021.

Effective July 1, 2017, the unfunded accrued liability (UAL) is now reported as a dollar amount instead of added to the employer rate and is determined by looking at the market value of assets of the plan and comparing it with the accrued liability of that plan**. To the extent that the assets are different from the liability, the plan will also be assessed as an unfunded liability payment. The purpose of the unfunded liability payment is to stabilize the assets and liabilities over time. The total employer contribution is the sum of the normal cost rate applied to an employer's reported payroll plus the UAL payment. These two components are the required contribution amount that employers pay CalPERS to fund their employees' pension benefits.

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Metropolitan's Employer Contribution Rates

Below is a history of Metropolitan's employer contribution rates and recent projected employer rates from the actuarial valuation, not including employer-paid member contributions (EPMC).

Fiscal Year	Employer Rate	Unfunded Accrued Liability	Total Employer Cost
2013/14	16.306%	N/A	\$47,354,980
2014/15	17.649%	N/A	\$47,031,120
2015/16	19.738%	N/A	\$50,835,530
2016/17	20.747%	N/A	\$54,774,001
2017/18 **	7.853%	\$32,560,150	\$61,253,850
2018/19	8.273%	\$39,554,600	\$68,324,002
2019/20	9.006%	\$46,684,999	\$75,596,862
2020/21	10.116%	\$51,496,203	\$85,737,391
2021/22	9.83%	\$59,117,014	\$92,552,631
2022/23	9.65%	\$65,787,464	\$98,817,258
2023/24	10.84%	\$60,771,624	100,552,849
2024/25	10.72%	\$71,360,748	Pending
2025/26	10.68%	\$72,329,773	
2026/27	10.4%	\$78,482,000 (projected)	

The EPMC rate for classic members remains at 7.49% for a total employer cost of \$10,898,226.42 for FY 2023/24, an increase of 2.8% from FY 2022/23.

Metropolitan's Pension Demographics

The demographics below are as of June 30, 2022, and June 30, 2023:

<u>Active Members</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Count	1,809	1,813
Average Age	48.16	47.97
Average Age at Hire	35.27	35.44
Average Years of Service	13.26	12.84
Average Annual Pensionable Earnings	\$135,479	\$140,140
Annual Covered Payroll	\$245,081,282	\$254,074,465
<u>Retired Members and Beneficiaries</u>		
Count	2,436	2,477
Average Age	72.19	72.52
Average Annual Pension	\$60,625	\$63,655
Active to Retired Ratio	0.74	0.73

Public Employees' Pension Reform Act (PEPRA)

As of January 1, 2013, the PEPRA mandates that all "new" PERS members be hired under the 2% at age 62 formula and requires that they pay the full employee cost. For the period of July 1, 2024, through June 30, 2025, the full employee cost is 8% percent. There are currently 1,004 employees enrolled in this new formula as of December 2024, which is an increase of 63 employees from 2023. The cost of EPMC has declined by an overall 19.3% since the implementation of the 5-year time-in-grade vesting schedule for classic members and the passage of PEPRA for new members.

Changes Since the Prior Year's Valuation

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. For rate plans that are not in a risk pool (non-pooled), benefit changes by contract amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the effective date of the amendment is after the valuation date.

Funding History

Each year CalPERS actuaries calculate a funded ratio comparing the market value of assets to liabilities. The funded ratios change from year to year and are now based on the market value of assets. The market value of assets is calculated according to the present-day liquidation value of held assets and represents the short-term solvency of the plans. For the fiscal year ending 6/30/2024, CalPERS investment returns fund 55 percent of the retirement benefits. This directly impacts the employer contribution rate. The public employee pension is 45 percent funded by investment earnings and member contributions.

Valuation Date	Funded	
	Market Value of Assets	Actuarial Value of
6/30/2011	75.1%	84.5%
6/30/2012	70.9%	85.0%
6/30/2013	75.1%	N/A
6/30/2014	78.7%	N/A
6/30/2015	75.5%	N/A
6/30/2016	70.3%	N/A
6/30/2017	72.7%	N/A
6/30/2018	71.7%	N/A
6/30/2019	71.4%	N/A
6/30/2020	70.4%	N/A
6/30/2021	81.0%	N/A
6/30/2022	70.1%	N/A
6/30/2023	70.1%	N/A

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CalPERS Portfolio Returns and Market Values

Below is the historical data with respect to CalPERS' overall portfolio, investment returns, and market value.

Year	Historical Rates of Return		Market Value	
	Fiscal Year End 6/30	Calendar Year End 12/31	Fiscal Year End 6/30	Calendar Year End 12/31
2012	1.0%	13.3%	\$233.4 billion	\$248.8 billion
2013	13.2%	16.2%	\$257.9 billion	\$283.5 billion
2014	18.4%	6.5%	\$300.3 billion	\$295.8 billion
2015	2.4%	-0.1%	\$301.9 billion	\$289.9 billion
2016	0.6%	.7.7%	\$302.0 billion	\$302.8 billion
2017	11.2%	15.7%	\$326.4 billion	\$350.0 billion
2018	8.6%	-3.5%	\$354.0 billion	\$337.2 billion
2019	6.7%	17.3%	\$372.6 billion	\$394.8 billion
2020	4.7%	12.4%	\$392.5 billion	\$442.6 billion
2021	21.3%	13.3%	\$477.3 billion	\$500.7 billion
2022	-6.1%	-11.2%	\$439.4 billion	\$442.2 billion
2023	5.8%	10.3%	\$464.6 billion	\$483.7 billion
2024	9.3%	9.0%	\$506.6 billion	\$523.3 billion

Summary of Metropolitan's Health Insurance Plans

CalPERS administers and negotiates rates and coverage for all Metropolitan medical plans. Services provided by CalPERS include plan design, negotiating with medical and pharmaceutical carriers, developing and printing plan summaries, outlines, and brochures, billing, processing claims, hosting an online database for enrollments and changes, participant appeals and grievances, and free workshops/seminars for employers, employees, and retirees.

All non-medical health plans, including dental, vision, life, long-term disability, voluntary Accidental Death and Dismemberment, flexible spending accounts, and other individual plans such as cancer, intensive care, and whole life, were brokered by Orion Risk Insurance Services. Services provided by Orion Risk include plan designs, negotiating rates and benefits with carriers, legal and compliance updates, and advice on open enrollment, ACA, and COBRA administration support. They assist with claims processing and resolution, vendor proposals and selection, free workshops and seminars, various analyses upon request, and provide and print annual benefit summary guides.

Fees for Agents, Providers, and Brokers

Below are Metropolitan's group health premiums, fees, and commissions paid to all Agents, Providers, and Brokers as required by California, Section 1367.08 of the Health and Safety Code, and Section 10604.5. Premiums and fees include both employer and employee-paid costs for the calendar year 2024.

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Agents/Brokers	Coverage	Premiums	Total Fees/ Commissions	% of Fee to Premiums
CalPERS	Medical	\$65,366,669	\$186,108	.29%
Orion Risk Insurance	Non-Medical	\$4,899,332	\$169,188	3.4%

Agents/Brokers of Record:

Medical Broker/Administrator	Non-Medical Broker
California Public Employee Retirement Services 400 Q Street Sacramento, CA 94229-2714	Orion Risk Insurance 1800 Quail Street, Suite 110 Newport Beach, CA 92660