Exhibit A

PENSION MANAGEMENT POLICY

COUNTY OF NEVADA

NEVADA COUNTY
CALIFORNIA

Adopted by the Board of Supervisors of the County of Nevada

Pursuant to Resolution No.

October 14, 2025

Exhibit A

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Section 1. Purpose

The purpose of this Pension Management Policy (the "Policy") is to strategically address the existing and any future unfunded accrued liability (the "UAL") associated with the County of Nevada's (the "County") California Public Employees' Retirement System (CalPERS) pension plans (the "Pension Plans"). This Policy includes a companion Pension Management Policy Addendum (the "Policy Addendum") to address some of the principal elements and core parameters central to the objectives discussed in this Policy. In the development of this Policy and Policy Addendum, the County strives to reduce its UAL and the associated financing costs in the most cost-efficient and fiscally responsible manner possible.

The County is committed to fiscal sustainability by employing long-term financial planning efforts, striving to maintain appropriate reserve levels, and employing prudent practices in governance, management, budget administration, and financial reporting. This Policy is intended to make all relevant information readily available to decision-makers and the public to improve the quality of decisions and transparency, identify policy goals, and to demonstrate a commitment to long-term financial planning. Development of this Policy signals to rating agencies and capital markets that the County is willing to set policies that improve its ability to meet its obligations in a timely manner.

The Policy is intended to reflect a reasonable and conservative approach to managing the UAL costs associated with the Pension Plans. Both this Policy and Policy Addendum recognize that the Pension Plans are subject to market volatility and that actual economic and demographic experience of the plans will differ from the actuarial assumptions. Accordingly, it is intended to allow for adaptive responses to changing circumstances, providing flexibility to address such volatility in a financially sound manner. As such, the County will be required to continually monitor its Pension Plans and the corresponding UAL.

Section 2. Policy Goals and Objectives

The overarching goal of this Policy and Policy Addendum is to maximize the portion of the Pension Plans funding generated from investment returns in order to minimize relative and aggregate contributions required for both the employer and employee shares, thereby minimizing taxpayer and employee expense. The objectives are as follows:

- Establish, achieve, and maintain targeted funding levels for the Pension Plans.
- Ensure sufficient assets are available to pay all benefits under the Pension Plans.
- Manage and control future contribution volatility to the extent reasonably possible.
- Strive to attain full funding status of pension liabilities to the extent possible.
- Provide guidance in making annual budget decisions.
- Support the creation of sustainable, fiscally responsible future budgets.
- Demonstrate prudent financial management practices.
- Enhance transparency regarding pension funding processes and rationale.
- Ensure that pension funding decisions protect both current and future stakeholders.

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Section 3. Background and Discussion

In General. Each Pension Plan is a multiple-employer defined benefit pension plan administered by CalPERS. All full-time and certain part-time County employees are eligible to participate in the CalPERS retirement and disability benefits, annual cost of living adjustments and death benefits offered to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute.

The financial objective of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan participants. In order to ensure its financial soundness and sustainability, the plan should accumulate adequate resources in a systematic and disciplined manner to ensure sufficient resources are available to meet employee benefit requirements. The Policy Addendum outlines the practices the County will utilize to address its actuarially determined contributions to fund the long-term cost of benefits to the Pension Plan participants and annuitants.

Pension Costs and Liabilities. In order to fund its employees' pension benefits, the County is required to make annual contributions to CalPERS, a portion of which may be sourced from employee contributions. CalPERS then invests these contributions to generate returns that offset the overall pension costs. The required ongoing contributions, known as the "Normal Cost," are calculated as a percentage of salaries and represent the annual cost of service accrual for the upcoming fiscal year for active employees. However, if actual Pension Plan experience—such as investment performance or demographic factors—falls short of actuarial assumptions, the Pension Plan may become underfunded (i.e., the Pension Plan's Total Accrued Liability exceeds the Plan's Market Value of Assets). This shortfall is known as Unfunded Accrued Liability (UAL) which must be covered by the County through a series of UAL Payments, which are above and beyond the Normal Cost contributions. The UAL Payments are calculated in total dollar amounts, not as a percentage of salaries.

The UAL can be caused by multiple factors, including but not limited to, changes to actuarial policy, retroactive pension benefit enhancements, investment underperformance, actuarial assumption changes, demographic shifts, and discount rate reductions.

UAL is Debt. The UAL balance at any given point in time is a debt of the County owed to CalPERS which is amortized over a set period of time with interest accruing at the prevailing CalPERS discount rate (the "Discount Rate"). However, this debt can be prepaid at any time without penalties. Recognizing the UAL as debt helps the County identify proper steps to address it and minimize the associated financing costs.

Ongoing CalPERS Practices. Each year CalPERS prepares updated actuarial valuation reports for each of the County's Pension Plans wherein it calculates the County's total pension liability as of the end of the prior fiscal year (each a "Valuation Report"). If the investment performance during that fiscal year differs from the Discount Rate, or if CalPERS made any changes to its actuarial assumptions, or if the actual demographic or compensation experience within the Pension Plans diverges from the actuarial assumptions, new line items known as UAL amortization "bases," (referred to as a "Base" or "Bases") may be added to the plan and result in a change to the UAL balance. Such UAL amortization Bases may be positive (indicating funding shortfall for the Pension Plans) or negative (indicating funding surplus for the Pension Plans). Because CalPERS can add new UAL amortization Bases every year, the Pension Plans must be monitored annually and managed continuously – there is no one-time solution.

CalPERS amortizes each new Base over a 20-year period using level-dollar payments. Each Base accrues interest at the Discount Rate (currently 6.8%). This is similar to a 20-year fully amortizing home mortgage bearing an interest rate of 6.8%. However, the amortization methodology used by CalPERS for each Base differs from a home mortgage during the first five years in that initially, there is a ramp-up period: payments start at 20% of the required amount in the first year, increasing by 20% each year until reaching the full payment amount in the fifth year (hereafter referred to as "5-Year Ramping"). Afterward, payments stabilize at this level for the remaining 15 years. CalPERS has adopted this 5-Year Ramping practice in an effort to help public agencies "ease into" paying for UAL increases.

Because CalPERS immediately applies interest at 6.8% from the inception of each new Base, agencies incur "negative amortization" during the 5-Year Ramping period, meaning that accrued interest is added to the Base until payments reach full coverage in the fifth year. This delayed start to full payments increases the overall cost to member agencies as compounded interest accumulates on unpaid UAL balances.

To help reduce the overall costs of the UAL repayment, this Policy supports avoiding the 5-Year Ramping for new Bases whenever possible. By making full or accelerated payments, the County can reduce compounded interest costs and achieve faster progress toward full funding.

From a policy standpoint, structural mechanics (bases, ramps, amortization) apply similarly across Classic and PEPRA tiers. The framework herein is intended to function across tiers as plans mature and become equally exposed to market swings over time.

Section 4. Policy Addendum

A. **Funding Level Objective.** It is the County's policy to strive to achieve and maintain a Pension "Funded Ratio" (being the ratio by which the Market Value of Assets—as set forth in the most recently published Valuation Report—compares to the Entry Age Normal Accrued Liability or "Total Accrued Liability"—as set forth in the most recently published Valuation Report) for each Pension Plan. Development of this "Funding Level Objective" is dynamic and long-term in nature, that is, achieving the desired level is done over the period of amortization, generally 20 years. To achieve the Funding Level Objective and ensure compliance with best management practices, the Policy Addendum provides the necessary guidance for achieving the Policy goals over the 20-year amortization period.

C. **Establishment and Operation of a 115 Trust Pension Reserve Fund.** The County has or will have established a 115 Trust Pension Reserve Fund which is managed by a third-party investment manager (the "Investment Manager"). The 115 Trust Pension Reserve Fund may receive funds deposited into it at the discretion of the Board of Supervisors, based on recommendations made by the County's Debt Advisory Committee during the annual budget process. Funds in the 115 Trust Pension Reserve Fund shall only be used for the County's pension benefits costs (i.e., UAL and Normal Costs) associated with the County's Pension Plans in accordance with the goals and objectives set forth in this Policy.

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D. Transparency and Reporting. Funding of the Pension Plans should be transparent to all stakeholders, including plan participants, annuitants, the Board of Supervisors, and County residents. The Pension Management Policy Addendum outlines strategies to achieve this Policy objective.

E. Annual Budget to Contain Policy Directed Information. The County's annual operating budget shall consider the items specified in this Policy for inclusion in each such annual budget.

F. Review of Policy. Funding a defined benefit pension plan requires a long-term horizon planning approach. This Policy is intended to provide general objectives and guidelines, which will require periodic review to consider changes in the County's financial position and Pension Plan funded status over time. As such, County staff will review this Policy for implementation of new best practices and will provide such proposed changes to the Board of Supervisors for adoption on an as needed basis, not to exceed 5 years.