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October 2008

SAFETY PLAN OF THE CITY OF NEWPORT BEACH (EMPLOYER # 60)
Annual Valuation Report as of June 30, 2007

Dear Employer,

Enclosed please find a copy of the June 30, 2007 actuarial valuation report of your pension plan. This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the report with you.

Changes Since the Prior Year's Valuation

There may be changes specific to your plan such as contract amendments and funding changes. There are no other material changes since the prior valuation.

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2009/2010 along with an estimate of the contribution rate and the probable Superfunded status for 2010/2011. The estimated rate for 2010/2011 is based solely on a projection of the investment return for fiscal 2007/2008, namely -2.5%. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2009/2010	28.760%	NO
2010/2011	28.3% (projected)	NO

Member contributions (whether paid by the employer or the employee) are in addition to the above rates.

The estimate for 2010/2011 also assumes that there are no future amendments and no liability gains or losses (such as from larger than expected pay increases, more retirements than expected, etc.). **This is a very important assumption because these gains and losses do occur and can have a significant effect on your contribution rate.** Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate by one or two percent, even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2010/2011 is just an estimate. Your actual rate for 2010/2011 will be provided in next year's report.

We are very busy preparing actuarial valuations for other public agencies and expect to complete all such valuations by the end of October. We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their result, we ask that, if at all possible, you wait until after October 31 to contact us with questions. If you have questions, please call (888) CalPERS (225-7377).

Sincerely,

Ronald L. Seeling, Ph.D., FCA, ASA, MAAA
Enrolled Actuary
Chief Actuary, CalPERS

ACTUARIAL VALUATION

as of June 30, 2007

for the
SAFETY PLAN
of the
CITY OF NEWPORT BEACH

(EMPLOYER # 60)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2009 – June 30, 2010

California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

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ACTUARIAL CERTIFICATION

To the best of our knowledge, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the SAFETY PLAN OF THE CITY OF NEWPORT BEACH. This valuation is based on the member and financial data as of June 30, 2007 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The undersigned listed are actuaries for CalPERS. Both are members of the American Academy of Actuaries and Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Richard Santos, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

Ron Seeling, Ph.D., FCA, ASA, MAAA
Enrolled Actuary
Chief Actuary, CalPERS

HIGHLIGHTS AND EXECUTIVE SUMMARY

- **PURPOSE OF THE REPORT**
- **REQUIRED CONTRIBUTIONS**
- **FUNDED STATUS**
- **COST AND VOLATILITY**
- **CHANGES SINCE THE PRIOR VALUATION**
- **SUBSEQUENT EVENTS**

Purpose of the Report

This report presents the results of the June 30, 2007 actuarial valuation of the SAFETY PLAN OF THE CITY OF NEWPORT BEACH of the California Public Employees' Retirement System (CalPERS). The valuation was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2007;
- certify the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2009 through June 30, 2010 is 28.760%;
- provide actuarial information as of June 30, 2007 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2007 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

Use of this report for other purposes may be inappropriate.

Required Contributions

	Fiscal Year 2008/2009	Fiscal Year 2009/2010
Required Employer Contributions		
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	$ 4,314,718	$ 4,202,509
Payment on the Amortization Bases	4,193,817	3,722,429
Total (not less than zero)	$ 8,508,535	$ 7,924,938
Annual Lump Sum Prepayment Option*	$ 8,196,834	$ 7,634,617
Employer Contribution Required (Percentage of Payroll)		
Payment for Normal Cost	15.046%	15.251%
Payment on the Amortization Bases	14.624%	13.509%
Total (not less than zero)	29.670%	28.760%
Required Employee Contributions (Percentage)	9.000%	9.000%

Funded Status

	June 30, 2006	June 30, 2007
Present Value of Projected Benefits	$ 351,703,408	$ 364,567,961
Entry Age Normal Accrued Liability	296,419,617	308,551,677
Actuarial Value of Assets (AVA)**	231,701,095	250,062,262
Unfunded Liability	$ 64,718,522	$ 58,489,415
Market Value of Assets (MVA)	$ 246,396,433	$ 292,102,211
Funded Status (on an MVA basis)	83.1%	94.7%
Superfunded Status	No	No

* Payment must be received by CalPERS between July 1 and July 15.

** The Actuarial Value of Assets is used to establish funding requirements, while the funded ratio based on the Market Value of Assets is a better indicator of the solvency of the plan.

Cost and Volatility

Actuarial Cost Estimates in General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future.

- There are demographic assumptions about the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- There are economic assumptions about future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized each year as we go forward. For example, the assumption for investment return is 7.75% per year. The actual asset earnings for the past 15 years at CalPERS have ranged from -7.2% to 20.1% while the 15 year compound return has been 10.4%.

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces.

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost (i.e., Accrued Liability – representing the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period. So, the employer rate can be computed in many different ways depending on how long one will take to pay for it. And as the first point above states; all of these results depend on all assumptions being exactly realized.

Rate Volatility

As is stated above, the actuarial calculations supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year to year basis. The year to year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise the employer's rates from year to year. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Plans that have higher asset to payroll ratios produce more volatile employer rates. On the *following* page we have shown your volatility index, a measure of the plan's potential future rate volatility. We are disclosing the ratio of accrued liability to payroll, rather than assets to payroll because the desired state for any plan is to be 100% funded (i.e., with assets equal to accrued liability). It should be noted that this ratio increases over time but generally tends to stabilize as the plan matures.

Beginning with the June 30, 2004 actuarial valuation, rate stabilization methodologies were implemented. Although there is no method that can provide perfectly stable rates, the new methods have been shown to be very effective in mitigating rate volatility. It continues to be true that a plan that has a volatility index that is three times the index of a second plan will have three times the volatility in rates as compared to the second plan. However, the amount of change has been dramatically reduced through the rate stabilization process. In most situations, the new rate stabilization policies will reduce rate volatility due to actual gains and losses about 50%.

	As of June 30, 2007
Accrued Liability	$ 308,551,677
Payroll	25,034,573
Volatility Index	12.3
Average Volatility Index for All Plans with 3.0% @ 50 Safety Retirement Formula*	9.3

* Includes pooled and non-pooled plans

Changes since the Prior Valuation

Actuarial Assumptions

There were no changes made to the actuarial assumptions since the prior year's actuarial valuation. The only exception would be changes necessary to reflect a benefit amendment.

Actuarial Methods

There were no material changes in actuarial methods since the prior year's actuarial valuation.

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation whose valuation date follows the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation whose report is dated after the amendment becomes effective.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to Appendix B for a summary of the plan provisions used in the valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the GAIN/LOSS ANALYSIS section and the effect on your employer contribution rate is shown in the RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS section of this report. It should be noted that no change in liability or rate is shown for any plan changes which were already included in the prior year's valuation.

Subsequent Events

There were no significant subsequent events to report in this valuation.

SUMMARY OF LIABILITIES AND RATES

- DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES
- (GAIN) / LOSS ANALYSIS
- SCHEDULE OF AMORTIZATION BASES
- DEVELOPMENT OF REQUIRED EMPLOYER CONTRIBUTIONS
- RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS
- EMPLOYER CONTRIBUTION RATE HISTORY
- FUNDING HISTORY

Development of Accrued and Unfunded Liabilities

1	Present Value of Projected Benefits		
	a) Active Members	$	155,619,493
	b) Transferred Members		5,369,443
	c) Terminated Members		1,359,519
	d) Members and Beneficiaries Receiving Payments		202,219,506
	e) Total		364,567,961
2	Present Value of Future Employer Normal Costs		34,999,417
3	Present Value of Future Employee Contributions		21,016,867
4	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]		99,603,209
	b) Transferred Members [1b]		5,369,443
	c) Terminated Members [1c]		1,359,519
	d) Members and Beneficiaries Receiving Payments [1d]		202,219,506
	e) Total		308,551,677
5	Actuarial Value of Assets (AVA)		250,062,262
6	Unfunded Accrued Liability/(Excess Assets) [(4e) - (5)]		58,489,415

(Gain)/Loss Analysis 6/30/06 – 6/30/07

To calculate the cost requirements of the plan, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is compared to the expected experience based on the actuarial assumptions. This results in actuarial gains or losses, as shown below.

A	**Total (Gain)/Loss for the Year**			
	1.	Unfunded Liability/(Excess Assets) as of 6/30/06	$	64,718,522
	2.	Expected Payment on the Unfunded Liability (UL) during 2006/2007		2,799,477
	3.	Interest through 6/30/07 [.0775 x (A1) – ((1.0775)$^{1/2}$ - 1) x (A2)]		4,909,231
	4.	Expected UL before all other changes [(A1) – (A2) + (A3)]		66,828,276
	5.	Change in UL due to new plan changes		0
	6.	Change in UL due to change in actuarial methods		0
	7.	Change in UL due to additional contributions		0
	8.	Expected UL after all other changes [(A4) + (A5) + (A6) + (A7)]		66,828,276
	9.	Actual UL as of 6/30/07		58,489,415
	10.	Total (Gain)/Loss for 2006/2007 [(A9) – (A8)]	$	(8,338,861)
B	**Contribution (Gain)/Loss for the Year**			
	1.	Expected Contribution (Employer and Employee)	$	9,267,836
	2.	Expected Interest on Expected Contributions		352,428
	3.	Actual Contributions		10,992,264
	4.	Expected Interest on Actual Contributions		418,003
	5.	Contribution (Gain)/Loss [(B1) + (B2) – (B3) – (B4)]	$	(1,790,003)
C	**Asset (Gain)/Loss for the Year**			
	1.	Actuarial Value of Assets as of 6/30/06	$	231,701,095
	2.	Contributions Received		10,992,264
	3.	Benefits and Refunds Paid		(14,402,381)
	4.	Transfers/Misc. Adjustments		56,929
	5.	Expected Int. [.0775 x (C1) + ((1.0775)$^{1/2}$ - 1) x ((C2) + (C3) + (C4))]		17,829,323
	6.	Expected Assets as of 6/30/07 [(C1) + (C2) + (C3) + (C4) + (C5)]		246,177,230
	7.	*Actual Actuarial Value of Assets as of 6/30/07*		250,062,262
	8.	Asset (Gain)/Loss [(C6) – (C7)]	$	(3,885,032)
D	**Liability (Gain)/Loss for the Year**			
	1.	Total (Gain)/Loss (A10)	$	(8,338,861)
	2.	Contribution (Gain)/Loss (B5)		(1,790,003)
	3.	Asset (Gain)/Loss (C8)		(3,885,032)
	4.	Liability (Gain)/Loss [(D1) – (D2) – (D3)]	$	(2,663,826)
Development of the (Gain)/Loss Balance as of 6/30/07				
	1.	(Gain)/Loss Balance as of 6/30/06	$	60,958,453
	2.	Payment Made on the Balance during 2006/2007		3,086,146
	3.	Interest through 6/30/07 [.0775 x (1) – ((1.0775)$^{1/2}$ – 1) x (2)]		4,606,924
	4.	Scheduled (Gain)/Loss Balance as of 6/30/07 [(1) – (2) + (3)]	$	62,479,231
	5.	(Gain)/Loss for Fiscal Year ending 6/30/07 [(A10) above]		(8,338,861)
	6.	Final (Gain)/Loss Balance as of 6/30/07 [(4) + (5)]	$	54,140,370

Schedule of Amortization Bases

There is a two year lag between the Valuation Date and the Contribution Fiscal Year.

- The assets, liabilities and funded status of the plan are measured as of the valuation date (June 30, 2007).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2009/2010).

This two year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution rates well in advance of the start of the fiscal year.

The Unfunded Liability is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The Unfunded Liability is rolled forward each year by subtracting the expected Payment on the Unfunded Liability for the fiscal year and adjusting for interest. The Expected Payment on the Unfunded Liability for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution Rate for the first fiscal year is determined by the actuarial valuation two years ago and the rate for the second year is from the actuarial valuation one year ago. The Normal Cost Rate for each of the two fiscal years is assumed to be the same as the rate determined by the current valuation. All expected dollar amounts are determined by multiplying the rate by the expected payroll for the applicable fiscal year.

							Amounts for Fiscal 2009/2010		
Reason for Base	Date Established	Amortization Period	Balance 6/30/07	Expected Payment 2007/2008	Balance 6/30/08	Expected Payment 2008/2009	Balance 6/30/09	Scheduled Payment for 2009–2010	Payment as Percentage of Payroll
(GAIN)/LOSS	06/30/07	30	$54,140,370	$3,182,090	$55,033,154	$3,844,359	$55,307,675	$3,321,280	12.053%
PAYMENT (GAIN)/LOSS	06/30/07	30	$369,802	$(395,048)	$808,532	$(315,011)	$1,198,183	$71,953	0.261%
FRESH START	06/30/05	28	$(532,357)	$(31,969)	$(540,430)	$(33,008)	$(548,050)	$(34,080)	(0.124%)
BENEFIT CHANGE	06/30/05	18	$4,511,600	$340,766	$4,507,525	$351,841	$4,491,638	$363,276	1.318%
TOTAL			**$58,489,415**	**$3,095,839**	**$59,808,781**	**$3,848,181**	**$60,449,446**	**$3,722,429**	**13.508%**

Development of Required Employer Contributions

	Fiscal Year 2009/2010	
	Percentage of Projected Payroll	**Estimated $ Based On Projected Payroll**
Employer Contribution Required		
Payment for Normal Cost	15.251%	$ 4,202,509
Payment on Amortization Bases	13.509%	3,722,429
Total (not less than zero)	28.760%	7,924,938
Annual Lump Sum Prepayment Option*		7,634,617

*Prepayment must be received by CalPERS between July 1 and July 15.

Reconciliation of Required Employer Contributions

		Percentage of Projected Payroll	**Estimated $ Based on Projected Payroll**
1	Contribution for 7/1/08 – 6/30/09 from prior year annual report	29.670%	$ 8,508,535
2	Effect of changes since the prior year annual valuation		
	a) Effect of unexpected changes in demographics and financial results	(0.910%)	(250,933)
	b) Effect of plan changes	0.000%	0
	c) Effect of elimination of amortization base	0.000%	0
	d) Effect of change in payroll	N/A	(332,664)
	e) Effect of changes in Actuarial Methods or Assumptions	0.000%	0
	f) Effect of changes due to additional contributions	0.000%	0
	g) Effect of changes due to Fresh Start	0.000%	0
	h) Net effect of the changes above [Sum of (a) through (g)]	(0.910%)	(583,597)
3	Contribution for 7/1/09 – 6/30/10 [(1)+(2h)]	28.760%	7,924,938

The contribution actually paid (item 1) may be different if a prepayment of unfunded actuarial liability is made or a plan change became effective after the prior year's actuarial valuation was performed.

Employer Contribution Rate History

The table below provides a history of the employer contribution rates for your plan since July 1, 2005, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made in the middle of the year.

Required By Valuation

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2005 – 2006	13.913%	12.789%	26.702%
2006 – 2007	14.200%	11.253%	25.453%
2007 – 2008	14.212%	11.886%	26.098%
2008 – 2009	15.046%	14.624%	29.670%
2009 – 2010	15.251%	13.509%	28.760%

Funding History

The Funding History below shows the recent history of the market value of assets, actuarial accrued liability, their relationship, and the annual covered payroll.

Valuation Date	Accrued Liability (a)	Market Value of Assets (MVA) (b)	Funded Ratio (MVA) (b)/(a)	Annual Covered Payroll (c)
06/30/03	$ 229,155,386	$ 171,190,233	74.7%	$ 23,941,400
06/30/04	250,554,103	197,605,409	78.9%	24,733,619
06/30/05	267,192,396	222,326,329	83.2%	24,302,584
06/30/06	296,419,617	246,396,433	83.1%	26,053,209
06/30/07	308,551,677	292,102,211	94.7%	25,034,573

SUMMARY OF ASSETS

- **RECONCILIATION OF THE MARKET VALUE OF ASSETS**
- **DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS**
- **ASSET ALLOCATION**

Reconciliation of the Market Value of Assets

1.	Market Value of Assets as of June 30, 2006	$	246,396,433
2.	Employer Contributions		7,393,730
3.	Employee Contributions		3,598,534
4.	Benefit Payments to Retirees and Beneficiaries		(14,394,583)
5.	Refunds		(7,798)
6.	Lump Sum Payments		0
7.	Transfers and Miscellaneous Adjustments		56,929
8.	Investment Return		48,176,787
9.	Market Value of Assets as of June 30, 2007 [(1)+(2)+(3)+(4)+(5)+(6)+(7)+(8)]	$	291,220,032
10.	Receivables for Service Buybacks as of June 30, 2007		882,179
11.	Market Value of Assets as of June 30, 2007 Including Receivables for Service Buyback		292,102,211

Development of the Actuarial Value of Assets

1.	Actuarial Value of Assets as of June 30, 2006	$	231,701,095
2.	Employer Contributions		7,393,730
3.	Employee Contributions		3,598,534
4.	Benefit Payments to Retirees and Beneficiaries		(14,394,583)
5.	Refunds		(7,798)
6.	Lump Sum Payments		0
7.	Transfers and Miscellaneous Adjustments		56,929
8.	Expected Investment Income at 7.75%		17,829,323
9.	Expected Actuarial Value of Assets [(1) + (2) + (3) + (4) + (5) + (6) + (7) + (8)]	$	246,177,230
10.	Market Value of Assets as of June 30, 2007	$	292,102,211
11.	Preliminary Actuarial Value of Assets [(9) + ((10) – (9)) / 15]		249,180,083
12.	Maximum Actuarial Value of Assets (120% of (10))		349,464,038
13.	Minimum Actuarial Value of Assets (80% of (10))		232,976,026
14.	Actuarial Value of Assets {Lesser of [(12), Greater of ((11), (13))]}		249,180,083
15.	Actuarial Value to Market Value Ratio		85.6%
16.	Receivables for Service Buybacks as of June 30, 2007		882,179
17.	Actuarial Value of Assets as of June 30, 2007 Used for Rate Setting Purposes		250,062,262

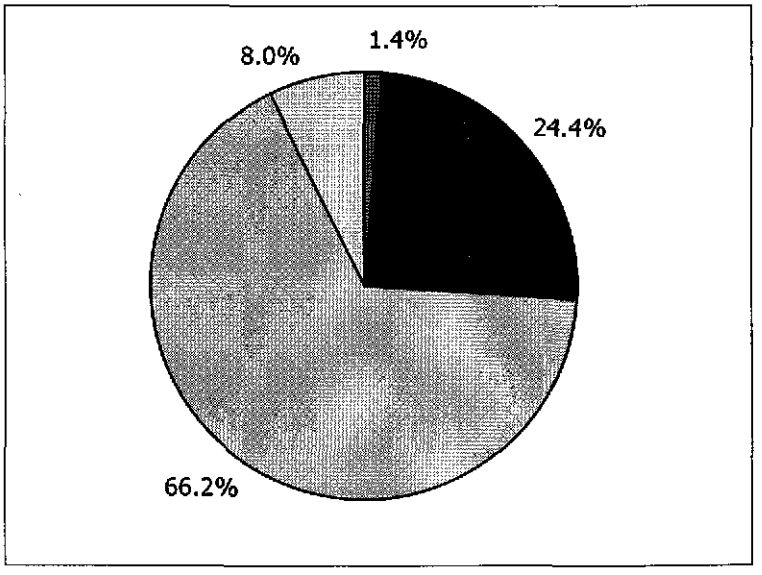
Asset Allocation

The starting point and most important element of CalPERS' successful return on investment is the asset allocation or diversification among stocks, bonds, cash and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class.

The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirely as of June 30, 2007. The assets for CITY OF NEWPORT BEACH SAFETY PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value ($ Billion)	(C) Current Allocation	(D) Target
1) Total Cash Equivalents	3.6	1.4%	0.0%
2) Total Global Fixed Income	61.2	24.4%	26.0%
3) Total Equities	166.5	66.2%	66.0%
4) Total Real Estate	20.1	8.0%	8.0%
Total Fund	251.4	100.0%	100.0%



SUMMARY OF PARTICIPANT DATA

- SUMMARY OF VALUATION DATA
- DISTRIBUTION OF ACTIVE MEMBERS
- DISTRIBUTION OF TRANSFERRED AND TERMINATED MEMBERS
- DISTRIBUTION OF RETIRED MEMBERS AND BENEFICIARIES

Summary of Valuation Data

	June 30, 2006	June 30, 2007
1. **Active Members**		
a) Counts	266	271
b) Average Attained Age	39.74	38.70
c) Average Entry Age to Rate Plan	27.20	27.25
d) Average Years of Service	12.54	11.46
e) Average Annual Covered Pay	$ 97,944	$ 92,379
f) Annual Covered Payroll	26,053,209	25,034,573
g) Projected Annual Payroll for Contribution Year	28,676,847	27,555,632
h) Present Value of Future Payroll	229,798,351	233,520,675
2. **Transferred Members**		
a) Counts	54	60
b) Average Attained Age	44.89	43.61
c) Average Years of Service	4.14	3.68
d) Average Annual Covered Pay	$ 80,926	$ 87,556
3. **Terminated Members**		
a) Counts	23	23
b) Average Attained Age	43.65	42.66
c) Average Years of Service	3.82	2.75
d) Average Annual Covered Pay	$ 52,114	$ 49,740
4. **Retired Members and Beneficiaries**		
a) Counts	308	329
b) Average Attained Age	61.88	61.86
c) Average Annual Benefits	$ 42,478	$ 45,440
5. **Active to Retired Ratio** [1(a)/4(a)]	0.9	0.8

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

Active Members

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities

Distribution of Active Members by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	9	0	0	0	0	0	9
25-29	39	15	0	0	0	0	54
30-34	28	16	4	0	0	0	48
35-39	12	15	7	6	0	0	40
40-44	3	6	13	14	5	0	41
45-49	1	3	0	7	18	10	39
50-54	0	0	0	4	5	21	30
55-59	1	0	0	0	1	7	9
60-64	0	0	0	0	0	1	1
65 and over	0	0	0	0	0	0	0
All Ages	93	55	24	31	29	39	271

Distribution of Average Annual Salaries by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	$58,300	$0	$0	$0	$0	$0	$58,300
25-29	67,353	82,908	0	0	0	0	71,673
30-34	73,595	90,662	96,907	0	0	0	81,227
35-39	75,266	90,750	101,579	106,677	0	0	90,389
40-44	78,613	87,258	96,671	105,631	113,400	0	99,072
45-49	73,849	93,375	0	111,916	111,779	120,317	111,604
50-54	0	0	0	115,862	116,764	123,590	121,422
55-59	176,203	0	0	0	100,849	97,225	106,403
60-64	0	0	0	0	0	110,243	110,243
65 and over	0	0	0	0	0	0	0
Average	70,981	88,348	98,142	108,573	112,541	117,676	92,378

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	0	0	0	0	0	0	0	$0
25-29	5	0	0	0	0	0	5	74,619
30-34	8	1	0	0	0	0	9	86,485
35-39	5	1	1	0	0	0	7	79,248
40-44	8	2	1	1	0	0	12	84,327
45-49	6	3	0	0	1	0	10	102,522
50-54	9	2	0	0	0	0	11	90,432
55-59	5	0	0	0	0	0	5	85,842
60-64	0	0	1	0	0	0	1	86,064
65 and over	0	0	0	0	0	0	0	0
All Ages	46	9	3	1	1	0	60	87,556

Distribution of Terminated Participants with Funds on Deposit by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	0	0	0	0	0	0	0	$0
25-29	3	0	0	0	0	0	3	43,342
30-34	2	0	0	0	0	0	2	59,735
35-39	3	0	0	0	0	0	3	46,998
40-44	3	3	0	0	0	0	6	51,097
45-49	2	1	0	0	0	0	3	49,812
50-54	2	0	1	0	0	0	3	29,129
55-59	2	1	0	0	0	0	3	70,040
60-64	0	0	0	0	0	0	0	0
65 and over	0	0	0	0	0	0	0	0
All Ages	17	5	1	0	0	0	23	49,740

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0
35-39	0	0	4	0	0	0	4
40-44	0	0	8	0	1	1	10
45-49	0	0	4	0	1	0	5
50-54	37	0	17	1	0	1	56
55-59	51	0	25	0	0	2	78
60-64	45	0	24	0	0	5	74
65-69	24	1	13	0	0	3	41
70-74	14	1	11	0	0	1	27
75-79	8	0	3	0	0	3	14
80-84	7	1	3	0	0	1	12
85 and Over	2	0	0	0	0	4	6
All Ages	188	3	112	1	2	21	327

Distribution of Average Annual Amounts for Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	$0	$0	$0	$0	$0	$0	$0
30-34	0	0	0	0	0	0	0
35-39	0	0	42,337	0	0	0	42,337
40-44	0	0	33,046	0	64,104	33,034	36,151
45-49	0	0	36,138	0	52,395	0	39,389
50-54	64,433	0	50,481	77,956	0	73,573	60,602
55-59	70,744	0	34,715	0	0	13,510	57,728
60-64	52,737	0	28,620	0	0	22,496	42,872
65-69	48,490	13,113	28,293	0	0	34,453	40,196
70-74	38,663	12,544	29,342	0	0	10,298	32,847
75-79	14,129	0	21,139	0	0	23,201	17,575
80-84	16,385	13,991	33,966	0	0	1,088	19,306
85 and Over	6,606	0	0	0	0	9,077	8,253
All Ages	54,846	13,216	34,349	77,956	58,250	22,227	45,440

Retired Members and Beneficiaries (continued)

Distribution of Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	95	0	29	1	0	12	137
5-9	39	0	17	0	1	1	58
10-14	26	0	19	0	1	4	50
15-19	11	1	15	0	0	0	27
20-24	7	0	13	0	0	1	21
25-29	8	1	12	0	0	2	23
30 and Over	2	1	7	0	0	1	11
All Years	188	3	112	1	2	21	327

Distribution of Average Annual Amounts for Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	$67,893	$0	$54,383	$77,956	$0	$19,342	$60,854
5-9	53,760	0	32,406	0	52,395	42,699	47,287
10-14	42,413	0	35,221	0	64,104	33,837	39,428
15-19	33,238	13,113	22,718	0	0	0	26,648
20-24	22,287	0	23,849	0	0	24,073	23,339
25-29	15,688	12,544	20,219	0	0	9,805	17,404
30 and Over	7,348	13,991	22,347	0	0	12,921	18,003
All Years	54,846	13,216	34,349	77,956	58,250	22,227	45,440

* Counts of members do not include alternate payees receiving benefits while the member is still working. Therefore, the total counts may not match information on page 23 of the report. Multiple records may exist for those who have service in more than one coverage group. This does not result in double counting of liabilities.

APPENDICES

- **APPENDIX A - STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**
- **APPENDIX B - SUMMARY OF PRINCIPAL PLAN PROVISIONS**
- **APPENDIX C - GASB STATEMENT NO. 27**
- **APPENDIX D – GLOSSARY OF ACTUARIAL TERMS**

APPENDIX A

- **STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**

Actuarial Data

As stated in the Actuarial Certification, the data which serves as the basis of this valuation has been obtained from the various CalPERS databases. We have reviewed the valuation data and believe that it is reasonable and appropriate in aggregate. We are unaware of any potential data issues that would have a material effect on the results of this valuation, except that data does not always contain the latest salary information for former members now in reciprocal systems and does not recognize the potential for usually large salary deviation in certain cases such as elected officials. Therefore, salary information in these cases may not be accurate. These situations are relatively infrequent, however, and when they do occur, they generally do not have a material impact on the employer contribution rates.

Actuarial Methods

Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and amortized over a rolling 30 year period. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. As mentioned above, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. However, in the case of a 30-year fresh start, just the unfunded liability not already in the (gain)/loss base (which already is amortized over 30 years) will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

1) when a positive payment would be required on a negative unfunded actuarial liability (or conversely a negative payment on a positive unfunded actuarial liability); or

2) when there are excess assets, rather than an unfunded liability. In this situation a 30-year fresh start is used, unless a longer fresh start is needed to avoid a negative total rate.

It should be noted that the actuary may choose to use a fresh start under other circumstances. In all cases, the fresh start period is set by the actuary at what he deems appropriate, and will not be less than five years nor greater than 30 years.

Asset Valuation Method

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets.

Miscellaneous

Superfunded Status

If a rate plan is superfunded (actuarial value of assets exceeds the present value of benefits), as of the most recently completed annual valuation, the employer may cover their employees' member contributions (both taxed and tax-deferred) using their employer assets during the fiscal year for which this valuation applies. This would entail transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts. This change was implemented effective January 1, 1999 pursuant to Chapter 231 (Assembly Bill 2099) which added Government Code Section 20816.

Superfunded status applies only to individual plans, not risk pools. For rate plans within a risk pool, actuarial value of assets is the sum of the rate plan's side fund plus the rate plan's pro-rata share of non-side fund assets.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 were not taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code Section 401(a)(17) were taken into account in this valuation. It was determined that this change generally had minimal impact on the employer rates and no special amortization base has been created.

Actuarial Assumptions

Economic Assumptions

Investment Return

7.75% compounded annually (net of expenses). This assumption is used for all plans.

Salary Growth

Annual increases vary by category, entry age, and duration of service. The assumed increases are shown below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1445	0.1265	0.1005
1	0.1215	0.1075	0.0875
2	0.1035	0.0935	0.0775
3	0.0905	0.0825	0.0695
4	0.0805	0.0735	0.0635
5	0.0725	0.0675	0.0585
10	0.0505	0.0485	0.0435
15	0.0455	0.0435	0.0385
20	0.0415	0.0395	0.0355
25	0.0365	0.0365	0.0345
30	0.0325	0.0325	0.0325

Public Agency Fire

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1075	0.1075	0.1045
1	0.0975	0.0965	0.0875
2	0.0895	0.0855	0.0725
3	0.0825	0.0775	0.0625
4	0.0765	0.0705	0.0535
5	0.0715	0.0645	0.0475
10	0.0535	0.0485	0.0375
15	0.0435	0.0415	0.0365
20	0.0395	0.0385	0.0345
25	0.0355	0.0355	0.0335
30	0.0325	0.0325	0.0325

Public Agency Police

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1115	0.1115	0.1115
1	0.0955	0.0955	0.0955
2	0.0835	0.0835	0.0805
3	0.0745	0.0725	0.0665
4	0.0675	0.0635	0.0575
5	0.0615	0.0575	0.0505
10	0.0475	0.0445	0.0365
15	0.0435	0.0415	0.0355
20	0.0395	0.0385	0.0345
25	0.0365	0.0355	0.0335
30	0.0325	0.0325	0.0325

Public Agency County Peace Officers

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1315	0.1315	0.1315
1	0.1115	0.1085	0.1055
2	0.0965	0.0915	0.0865
3	0.0845	0.0795	0.0735
4	0.0755	0.0695	0.0635
5	0.0685	0.0625	0.0555
10	0.0485	0.0445	0.0405
15	0.0435	0.0405	0.0385
20	0.0395	0.0385	0.0365
25	0.0365	0.0355	0.0345
30	0.0325	0.0325	0.0325

- The Miscellaneous salary scale is used for Local Prosecutors.
- The Police salary scale is used for Other Safety, Local Sheriff, and School Police.

Overall Payroll Growth

3.25% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans.

Inflation

3.00% compounded annually. This assumption is used for all plans.

Non-valued Potential Additional Liabilities

The potential liability loss for a cost-of-living increase exceeding the 3% inflation assumption, and any potential liability loss from future member service purchases are not reflected in the valuation.

Miscellaneous Loading Factors

Credit for Unused Sick Leave

Final Average Salary is increased by 1% for those plans with the provision providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)

Final Average Salary is increased by the Employee Contribution Rate for those plans with the provision providing for the Conversion of Employer Paid Member Contributions (EPMC) during the final compensation period.

Norris Decision (Best Factors)

Employees hired prior to *July 1, 1982 have projected* benefit amounts increased in order to reflect the use of "Best Factors" in the calculation of optional benefit forms. This is due to a 1983 Supreme Court decision, known as the Norris decision, which required males and females to be treated equally in the determination of benefit amounts. Consequently, anyone already employed at that time is given the best possible conversion factor when optional benefits are determined. No loading is necessary for employees hired after July 1, 1982.

Demographic Assumptions

Pre-Retirement Mortality

Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial death rates are used for Safety Plans (except for Local Prosecutor safety members where the corresponding Miscellaneous Plan does not have the Industrial Death Benefit).

	Non-Industrial Death (Not Job-Related)		**Industrial Death (Job-Related)**
Age	Male	Female	Male and Female
20	0.00019	0.00009	0.00003
25	0.00027	0.00014	0.00007
30	0.00038	0.00021	0.00010
35	0.00054	0.00031	0.00013
40	0.00077	0.00046	0.00017
45	0.00110	0.00068	0.00020
50	0.00156	0.00102	0.00023
55	0.00221	0.00151	0.00027
60	0.00314	0.00226	0.00030

Miscellaneous Plans usually have Industrial Death rates set to zero unless the agency has specifically contracted for Industrial Death benefits. If so, each Non-Industrial Death rate shown above will be split into two components: 99% will become the Non-Industrial Death rate and 1% will become the Industrial Death rate.

Post-Retirement Mortality

Rates vary by age, type of retirement and gender. See sample rates in table below. These rates are used for all plans.

	Healthy Recipients		**Non-Industrially Disabled (Not Job-Related)**		**Industrially Disabled (Job-Related)**	
Age	Male	Female	Male	Female	Male	Female
50	0.00245	0.00136	0.01459	0.01129	0.00546	0.00388
55	0.00429	0.00253	0.02115	0.01481	0.00616	0.00568
60	0.00721	0.00442	0.02870	0.01884	0.01016	0.00818
65	0.01302	0.00795	0.03617	0.02356	0.01853	0.01214
70	0.02135	0.01276	0.04673	0.03020	0.03369	0.01760
75	0.03716	0.02156	0.06552	0.04298	0.05768	0.02774
80	0.06256	0.03883	0.09481	0.06514	0.08670	0.04690
85	0.10195	0.07219	0.14041	0.10269	0.13032	0.08262
90	0.17379	0.12592	0.20793	0.16189	0.19588	0.13984
95	0.25917	0.21773	0.30792	0.25522	0.29444	0.23566
100	0.34724	0.32036	0.45599	0.40236	0.44259	0.35341

Marital Status

For active members, a percentage married upon retirement is assumed according to the following table.

Member Category	Percent Married
Miscellaneous Member	85%
Local Police	90%
Local Fire	90%
Other Local Safety	90%
School Police	90%

Age of Spouse
It is assumed that female spouses are 3 years younger than male spouses. This assumption is used for all plans.

Terminated Members
It is assumed that members refund immediately if non-vested, retire immediately if eligible, or retire at the earliest retirement age if not eligible.

Termination with Refund
Rates vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1760	0.1691	0.1622	0.1553	0.1483	0.1414
1	0.1561	0.1492	0.1423	0.1353	0.1284	0.1215
2	0.1362	0.1293	0.1224	0.1154	0.1085	0.1016
3	0.1163	0.1094	0.1025	0.0955	0.0886	0.0817
4	0.0964	0.0895	0.0826	0.0756	0.0687	0.0618
5	0.0283	0.0257	0.0232	0.0206	0.0181	0.0155
10	0.0184	0.0161	0.0139	0.0117	0.0095	0.0073
15	0.0120	0.0102	0.0083	0.0064	0.0046	0.0027
20	0.0073	0.0057	0.0041	0.0025	0.0009	0.0002
25	0.0034	0.0022	0.0009	0.0002	0.0002	0.0002
30	0.0010	0.0002	0.0002	0.0002	0.0002	0.0002

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
0	0.0947	0.1299	0.1072
1	0.0739	0.0816	0.0841
2	0.0531	0.0348	0.0609
3	0.0323	0.0331	0.0470
4	0.0290	0.0314	0.0445
5	0.0095	0.0110	0.0156
10	0.0029	0.0068	0.0096
15	0.0021	0.0035	0.0048
20	0.0016	0.0022	0.0022
25	0.0010	0.0015	0.0010
30	0.0009	0.0012	0.0006

The Police Termination and Refund rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Termination with Vested Benefits

Rates vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0482	0.0439	0.0395	0.0351	0.0307
10	0.0390	0.0343	0.0296	0.0249	0.0000
15	0.0326	0.0274	0.0224	0.0000	0.0000
20	0.0245	0.0192	0.0000	0.0000	0.0000
25	0.0156	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0187	0.0265
10	0.0061	0.0145	0.0204
15	0.0058	0.0094	0.0130
20	0.0053	0.0075	0.0074
25	0.0047	0.0067	0.0043
30	0.0045	0.0064	0.0030
35	0.0000	0.0000	0.0000

- When a member is eligible to retire, the termination with vested benefits probability is set to zero.
- The Police Termination with vested benefits rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Non-Industrial (Not Job-Related) Disability
Rates vary by age and gender for Miscellaneous Plans.

Rates vary by age for Safety Plans.

	Miscellaneous		Fire	Police	County Peace Officer
Age	Male	Female	Male and Female	Male and Female	Male and Female
20	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0002	0.0002	0.0001	0.0001	0.0001
30	0.0002	0.0004	0.0001	0.0002	0.0001
35	0.0008	0.0010	0.0001	0.0003	0.0002
40	0.0015	0.0016	0.0001	0.0004	0.0003
45	0.0024	0.0023	0.0002	0.0005	0.0004
50	0.0037	0.0035	0.0005	0.0008	0.0007
55	0.0049	0.0041	0.0010	0.0013	0.0012
60	0.0055	0.0039	0.0015	0.0020	0.0019

- The Miscellaneous Non-Industrial Disability rates are used for Local Prosecutors.
- The Police Non-Industrial Disability rates are used for Other Safety, Local Sheriff, and School Police.

Industrial (Job-Related) Disability
Rates vary by age and category.

Age	Fire	Police	County Peace Officer
20	0.0002	0.0006	0.0002
25	0.0010	0.0028	0.0012
30	0.0021	0.0056	0.0025
35	0.0031	0.0084	0.0037
40	0.0041	0.0112	0.0050
45	0.0051	0.0140	0.0062
50	0.0062	0.0167	0.0075
55	0.0601	0.0581	0.0128
60	0.0601	0.0581	0.0128

- The Police Industrial Disability rates are used for Local Sheriff and Other Safety.
- Fifty Percent of the Police Industrial Disability rates are used for School Police.
- One Percent of the Police Industrial Disability rates are used for Local Prosecutors.
- Normally, rates are zero for Miscellaneous Plans unless the agency has specifically contracted for Industrial Disability benefits. If so, each miscellaneous non-industrial disability rate will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Service Retirement

Public Agency Miscellaneous 2% @ 60

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0085	0.0120	0.0146	0.0165	0.0184	0.0206
51	0.0059	0.0082	0.0100	0.0113	0.0126	0.0142
52	0.0092	0.0129	0.0157	0.0178	0.0198	0.0222
53	0.0104	0.0146	0.0177	0.0200	0.0224	0.0251
54	0.0109	0.0154	0.0187	0.0211	0.0236	0.0264
55	0.0198	0.0279	0.0339	0.0383	0.0427	0.0479
56	0.0181	0.0254	0.0308	0.0348	0.0389	0.0436
57	0.0208	0.0292	0.0354	0.0400	0.0447	0.0501
58	0.0262	0.0368	0.0447	0.0505	0.0564	0.0632
59	0.0335	0.0471	0.0572	0.0646	0.0721	0.0809
60	0.0615	0.0865	0.1051	0.1187	0.1325	0.1485
61	0.0628	0.0883	0.1073	0.1212	0.1353	0.1517
62	0.1258	0.1767	0.2147	0.2426	0.2708	0.3036
63	0.1263	0.1775	0.2156	0.2436	0.2720	0.3049
64	0.0972	0.1366	0.1659	0.1875	0.2093	0.2346
65	0.1731	0.2432	0.2955	0.3339	0.3727	0.4178
66	0.0946	0.1330	0.1616	0.1825	0.2038	0.2284
67	0.1272	0.1787	0.2171	0.2453	0.2738	0.3069

Public Agency Miscellaneous 2% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0145	0.0184	0.0224	0.0269	0.0307	0.0366
51	0.0106	0.0135	0.0164	0.0198	0.0226	0.0269
52	0.0114	0.0145	0.0176	0.0212	0.0241	0.0287
53	0.0150	0.0190	0.0231	0.0278	0.0318	0.0378
54	0.0199	0.0252	0.0307	0.0369	0.0421	0.0502
55	0.0475	0.0604	0.0734	0.0883	0.1008	0.1200
56	0.0395	0.0502	0.0611	0.0735	0.0838	0.0998
57	0.0427	0.0542	0.0659	0.0793	0.0905	0.1078
58	0.0473	0.0601	0.0730	0.0879	0.1003	0.1194
59	0.0510	0.0648	0.0788	0.0948	0.1082	0.1287
60	0.0715	0.0908	0.1104	0.1328	0.1516	0.1804
61	0.0715	0.0908	0.1104	0.1328	0.1516	0.1805
62	0.1275	0.1620	0.1969	0.2369	0.2704	0.3219
63	0.1287	0.1636	0.1988	0.2392	0.2731	0.3250
64	0.0931	0.1182	0.1438	0.1729	0.1974	0.2350
65	0.1738	0.2209	0.2686	0.3231	0.3688	0.4390
66	0.1085	0.1378	0.1675	0.2016	0.2301	0.2739
67	0.1109	0.1409	0.1713	0.2061	0.2353	0.2801

Public Agency Miscellaneous 2.5% @ 55, 2.7% @ 55, 3% @ 60

	2.5% @ 55		2.7% @ 55		3% @ 60	
Age	Male	Female	Male	Female	Male	Female
50	0.05000	0.07000	0.05000	0.07000	0.05000	0.07000
51	0.02000	0.05000	0.02000	0.05000	0.02000	0.05000
52	0.03000	0.05000	0.03000	0.05000	0.03000	0.05000
53	0.03000	0.05000	0.03000	0.06000	0.03000	0.05000
54	0.04000	0.05000	0.04000	0.06000	0.04000	0.05000
55	0.08000	0.09000	0.09000	0.10000	0.08000	0.09000
56	0.06000	0.07000	0.07000	0.08000	0.07000	0.08000
57	0.07000	0.06000	0.08000	0.07000	0.08000	0.07000
58	0.08000	0.10000	0.08000	0.10000	0.09000	0.11000
59	0.09000	0.09000	0.10000	0.09000	0.11000	0.10000
60	0.16000	0.12000	0.17000	0.13000	0.19000	0.15000
61	0.15000	0.10000	0.16000	0.11000	0.17000	0.12000
62	0.26000	0.21000	0.28000	0.23000	0.31000	0.25000
63	0.22000	0.18000	0.23000	0.20000	0.26000	0.22000
64	0.15000	0.13000	0.16000	0.14000	0.18000	0.16000
65	0.25000	0.25000	0.27000	0.27000	0.30000	0.30000
66	0.14000	0.15000	0.15000	0.16000	0.17000	0.18000
67	0.12000	0.14000	0.13000	0.16000	0.14000	0.17000
68	0.12000	0.11000	0.13000	0.12000	0.15000	0.13000
69	0.09000	0.13000	0.10000	0.14000	0.11000	0.15000
70	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Public Agency Fire ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.01588	56	0.11079
51	0.00000	57	0.00000
52	0.03442	58	0.09499
53	0.01990	59	0.04409
54	0.04132	60	1.00000
55	0.07513		

Public Agency Police ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.02552	56	0.06921
51	0.00000	57	0.05113
52	0.01637	58	0.07241
53	0.02717	59	0.07043
54	0.00949	60	1.00000
55	0.16674		

Public Agency Police 2%@ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
51	0.0123	0.0123	0.0123	0.0123	0.0226	0.0402
52	0.0262	0.0262	0.0262	0.0262	0.0480	0.0855
53	0.0523	0.0523	0.0523	0.0523	0.0957	0.1706
54	0.0697	0.0697	0.0697	0.0697	0.1275	0.2274
55	0.0899	0.0899	0.0899	0.0899	0.1645	0.2932
56	0.0638	0.0638	0.0638	0.0638	0.1166	0.2079
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318
58	0.0628	0.0628	0.0628	0.0628	0.1149	0.2049
59	0.1396	0.1396	0.1396	0.1396	0.1735	0.2544
60	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
61	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
62	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
63	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
64	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 2%@50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0081	0.0081	0.0081	0.0081	0.0125	0.0187
52	0.0173	0.0173	0.0173	0.0173	0.0267	0.0400
53	0.0465	0.0465	0.0465	0.0465	0.0716	0.1072
54	0.0638	0.0638	0.0638	0.0638	0.0983	0.1471
55	0.0868	0.0868	0.0868	0.0868	0.1336	0.2000
56	0.0779	0.0779	0.0779	0.0779	0.1200	0.1796
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.2077
58	0.0790	0.0790	0.0790	0.0790	0.1217	0.1821
59	0.0729	0.0729	0.0729	0.0729	0.1123	0.1681
60	0.1135	0.1135	0.1135	0.1135	0.1747	0.2615
61	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
62	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
63	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
64	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Public Agency Police 3% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0193	0.0193	0.0193	0.0193	0.0397	0.0600
51	0.0157	0.0157	0.0157	0.0157	0.0324	0.0491
52	0.0163	0.0163	0.0163	0.0163	0.0337	0.0510
53	0.0587	0.0587	0.0587	0.0587	0.1208	0.1829
54	0.0691	0.0691	0.0691	0.0691	0.1422	0.2154
55	0.1164	0.1164	0.1164	0.1164	0.2397	0.3630
56	0.0756	0.0756	0.0756	0.0756	0.1556	0.2357
57	0.0581	0.0581	0.0581	0.0581	0.1196	0.1812
58	0.0508	0.0508	0.0508	0.0508	0.1045	0.1583
59	0.0625	0.0625	0.0625	0.0625	0.1287	0.1949
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0024	0.0024	0.0024	0.0035	0.0055	0.0065
51	0.0048	0.0048	0.0048	0.0070	0.0110	0.0128
52	0.0147	0.0147	0.0147	0.0215	0.0339	0.0396
53	0.0425	0.0425	0.0425	0.0621	0.0979	0.1142
54	0.0567	0.0567	0.0567	0.0828	0.1306	0.1523
55	0.0915	0.0915	0.0915	0.1337	0.2109	0.2459
56	0.0811	0.0811	0.0811	0.1184	0.1868	0.2178
57	0.0996	0.0996	0.0996	0.1455	0.2295	0.2676
58	0.0814	0.0814	0.0814	0.1189	0.1874	0.2185
59	0.0775	0.0775	0.0775	0.1131	0.1784	0.2080
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Public Agency Police 3% @ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0435	0.0435	0.0435	0.0821	0.1208	0.1559
51	0.0385	0.0385	0.0385	0.0728	0.1071	0.1382
52	0.0614	0.0614	0.0614	0.1159	0.1705	0.2200
53	0.0689	0.0689	0.0689	0.1303	0.1916	0.2472
54	0.0710	0.0710	0.0710	0.1342	0.1974	0.2547
55	0.0898	0.0898	0.0898	0.1698	0.2497	0.3222
56	0.0687	0.0687	0.0687	0.1299	0.1910	0.2465
57	0.0803	0.0803	0.0803	0.1518	0.2232	0.2880
58	0.0791	0.0791	0.0791	0.1495	0.2198	0.2837
59	0.0820	0.0820	0.0820	0.1549	0.2279	0.2940
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3% @ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0341	0.0341	0.0341	0.0477	0.0679	0.0804
51	0.0463	0.0463	0.0463	0.0647	0.0922	0.1091
52	0.0693	0.0693	0.0693	0.0967	0.1377	0.1630
53	0.0835	0.0835	0.0835	0.1166	0.1661	0.1965
54	0.1025	0.1025	0.1025	0.1431	0.2038	0.2412
55	0.1265	0.1265	0.1265	0.1766	0.2516	0.2977
56	0.1210	0.1210	0.1210	0.1690	0.2407	0.2848
57	0.1010	0.1010	0.1010	0.1411	0.2010	0.2378
58	0.1184	0.1184	0.1184	0.1652	0.2354	0.2786
59	0.1002	0.1002	0.1002	0.1399	0.1993	0.2358
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

APPENDIX B

- **SUMMARY OF MAJOR BENEFIT OPTIONS**
- **DESCRIPTIONS OF PRINCIPAL PLAN PROVISIONS**

Summary of Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in the following section of this Appendix.

	Coverage Group		
	76001	75001	74001
Benefit Provision			
Benefit Formula	3.0% @ 55	3.0% @ 50	3.0% @ 50
Social Security Coverage	no	no	no
Full/Modified	full	full	full
Final Average Compensation Period	12 mos.	12 mos.	12 mos.
Sick Leave Credit	no	no	no
Non-Industrial Disability	standard	standard	standard
Industrial Disability	yes	yes	yes
Pre-Retirement Death Benefits			
Optional Settlement 2W	yes	yes	yes
1959 Survivor Benefit Level	level 4	level 4	level 4
Special	yes	yes	yes
Alternate (firefighters)	no	no	no
Post-Retirement Death Benefits			
Lump Sum	$500	$500	$500
Survivor Allowance (PRSA)	no	no	no
COLA	2%	2%	2%
Employee Contributions			
Contractual employer paid	no	no	no
Contractual Employee Cost sharing	0%	0%	0%

DESCRIPTION OF PRINCIPAL PLAN PROVISIONS

The following is a description of the principal plan provisions used in calculating costs and liabilities. We have indicated whether a plan provision is standard or optional. Standard benefits are applicable to all members while optional benefits vary among employers. Optional benefits that apply to a single period of time, such as Golden Handshakes, have not been included. Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The law itself governs in all situations.

Service Retirement

Eligibility
A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements)

Benefit
The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*.

- The *benefit factor* depends on the benefit formula specified in your agency's contract. The table below shows the factors for each of the available formulas. Factors vary by the member's age at retirement. Listed are the factors for retirement at whole year ages:

Miscellaneous Plan Formulas

Retirement Age	2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60
50	1.092%	1.426%	2.0%	2.0%	2.0%
51	1.156%	1.522%	2.1%	2.14%	2.1%
52	1.224%	1.628%	2.2%	2.28%	2.2%
53	1.296%	1.742%	2.3%	2.42%	2.3%
54	1.376%	1.866%	2.4%	2.56%	2.4%
55	1.460%	2.0%	2.5%	2.7%	2.5%
56	1.552%	2.052%	2.5%	2.7%	2.6%
57	1.650%	2.104%	2.5%	2.7%	2.7%
58	1.758%	2.156%	2.5%	2.7%	2.8%
59	1.874%	2.210%	2.5%	2.7%	2.9%
60	2.0%	2.262%	2.5%	2.7%	3.0%
61	2.134%	2.314%	2.5%	2.7%	3.0%
62	2.272%	2.366%	2.5%	2.7%	3.0%
63 & Up	2.418%	2.418%	2.5%	2.7%	3.0%

Safety Plan Formulas

Retirement Age	½ at 55 *	2% at 55	2% at 50	3% at 55	3% at 50
50	1.783%	1.426%	2.0%	2.40%	3.0%
51	1.903%	1.522%	2.14%	2.52%	3.0%
52	2.035%	1.628%	2.28%	2.64%	3.0%
53	2.178%	1.742%	2.42%	2.76%	3.0%
54	2.333%	1.866%	2.56%	2.88%	3.0%
55 & Up	2.5%	2.0%	2.7%	3.0%	3.0%

* For this formula, the benefit factor also varies by entry age. The factors shown are for members with an entry age of 35 or larger. If entry age is less than 35, then the age 55 benefit factor is 50% divided by the difference between age 55 and entry age. The benefit factor for ages prior to age 55 is the same proportion of the age 55 benefit factor as in the above table.

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. An agency may contract for an optional benefit where any unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave.

- The *final compensation* is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The standard benefit is 36 months. Employers have the option of providing a final compensation equal to the highest 12 consecutive months.

- For employees covered by Social Security, the Modified formula is the standard benefit. Under this type of formula, the final compensation is offset by $133.33 (or by one third if the final compensation is less than $400). Employers may contract for the Full benefit with Social Security that will eliminate the offset applicable to the final compensation. For employees not covered by Social Security, the Full benefit is paid with no offsets. Auxiliary organizations of the CSUC system may elect reduced contribution rates, in which case the offset is $317 if members are not covered by Social Security or $513 if members are covered by Social Security.

- The Miscellaneous Service Retirement benefit is not capped. The Safety Service Retirement benefit is capped at 90% of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status
A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, **and** has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits
The CalPERS member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

Benefit
The vested deferred retirement benefit is the same as the Service Retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility
A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively employed by any CalPERS employer at the time of disability in order to be eligible for this benefit.

Standard Benefit
The standard Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by *service*, which is determined as follows:

- *service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or

- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3% of Final Compensation.

Improved Benefit
Employers have the option of providing the improved Non-Industrial Disability Retirement benefit. This benefit provides a monthly allowance equal to 30% of final compensation for the first 5 years of service, plus 1% for each additional year of service to a maximum of 50% of final compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Industrial (Job Related) Disability Retirement

All safety members have this benefit. For miscellaneous members, employers have the option of providing this benefit. An employer may choose to provide the Increased benefit option or the Improved benefit option.

Eligibility
An employee is eligible for Industrial Disability Retirement if he or she becomes disabled while working, where disabled means the member is unable to perform the duties of the job because of a work-related illness or injury which is expected to be permanent or to last indefinitely. A CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described below.

Standard Benefit
The standard Industrial Disability Retirement benefit is a monthly allowance equal to 50% of final compensation.

Increased Benefit (75% of Final Compensation)
The increased Industrial Disability Retirement benefit is a monthly allowance equal to 75% of final compensation for total disability.

Improved Benefit (50% to 90% of Final Compensation)
The Improved Industrial Disability Retirement benefit is a monthly allowance equal to the Workman's Compensation Appeals Board permanent disability rate percentage (if 50% or greater, with a maximum of 90%) times the final compensation.

For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of accumulated member contributions with respect to employment in this group. With the standard or increased benefit, a member may also choose to receive the annuitization of the accumulated member contributions.

If a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit.

Post-Retirement Death Benefit

Standard Lump Sum Payment
Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Improved Lump Sum Payment
Employers have the option of providing an improved lump sum death benefit of $600, $2,000, $3,000, $4,000 or $5,000.

Form of Payment for Retirement Allowance

Standard Form of Payment
Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. Such reduction takes into account the amount to be provided to the beneficiary and the probable duration of payments (based on the ages of the member and beneficiary) made subsequent to the member's death.

Improved Form of Payment (Post Retirement Survivor Allowance)
Employers have the option to contract for the post retirement survivor allowance.

For retirement allowances with respect to service subject to the modified formula, 25% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. For retirement allowances with respect to service subject to the full or supplemental formula, 50% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. This additional benefit is often referred to as post retirement survivor allowance (PRSA) or simply as survivor continuance.

In other words, 25% or 50% of the allowance, the continuance portion, is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried children until they attain age 18; or, if no eligible children, to a qualifying dependent parent) for the rest of his or her lifetime. This benefit will not be discontinued in the event the spouse remarries.

The remaining 75% or 50% of the retirement allowance, which may be referred to as the option portion of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this option portion to be paid to any designated beneficiary after the retiree's death. Benefit options applicable to the option portion are the same as those offered with the standard form. The reduction is calculated in the same manner but is applied only to the option portion.

Pre-Retirement Death Benefits

Basic Death Benefit

This is a standard benefit.

Eligibility
An employee's beneficiary (or estate) may receive the Basic Death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this Basic Death benefit.

Benefit
The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

This is a standard benefit.

Eligibility
An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this 1957 Survivor benefit.

Benefit
The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified Service Retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to a dependent child, the benefit will be discontinued upon death or attainment of age 18, unless the child is disabled. The total amount paid will be at least equal to the Basic Death benefit.

Optional Settlement 2 Death Benefit

This is an optional benefit.

Eligibility

An employee's *eligible survivor* may receive the Optional Settlement 2W Death benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this Optional Settlement 2W Death benefit.

Benefit
The Optional Settlement 2W Death benefit is a monthly allowance equal to the Service Retirement benefit that the member would have received had the member retired on the date of his or her death and elected Optional Settlement 2W. (A retiree who elects Optional Settlement 2W receives an allowance that has been reduced so that it will continue to be paid after his or her death to a surviving beneficiary.) The allowance is payable as long as the surviving spouse lives, at which time it is continued to any unmarried children under age 18, if applicable. The total amount paid will be at least equal to the Basic Death Benefit.

Special Death Benefit

This is a standard benefit for safety members. An employer may elect to provide this benefit for miscellaneous members.

Eligibility
An employee's *eligible survivor(s)* may receive the Special Death benefit if the member dies while actively employed and the death is job-related. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 22. An eligible survivor who chooses to receive this benefit will not receive any other death benefit.

Benefit
The Special Death benefit is a monthly allowance equal to 50% of final compensation, and will be increased whenever the compensation paid to active employees is increased but ceasing to increase when the member would have attained age 50. The allowance is payable to the surviving spouse until death at which time the allowance is continued to any unmarried children under age 22. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

If the member's death is the result of an accident or injury caused by external violence or physical force incurred in the performance of the member's duty, and there are *eligible* surviving children (*eligible* means unmarried children under age 22) in addition to an eligible spouse, then an **additional monthly allowance** is paid equal to the following:

- if 1 eligible child: 12.5% of final compensation
- if 2 eligible children: 20.0% of final compensation
- if 3 or more eligible children: 25.0% of final compensation

Alternate Death Benefit for Local Fire Members

This is an optional benefit available only to local fire members.

Eligibility
An employee's *eligible survivor(s)* may receive the Alternate Death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An

eligible survivor means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 18.

Benefit
The Alternate Death benefit is a monthly allowance equal to the Service Retirement benefit that the member would have received had the member retired on the date of his or her death and elected Optional Settlement 2W. (A retiree who elects Optional Settlement 2W receives an allowance that has been reduced so that it will continue to be paid after his or her death to a surviving beneficiary.) If the member has not yet attained age 50, the benefit is equal to that which would be payable if the member had retired at age 50, based on service credited at the time of death. The allowance is payable as long as the surviving spouse lives, at which time it is continued to any unmarried children under age 18, if applicable. The total amount paid will be at least equal to the Basic Death Benefit.

Cost-of-Living Adjustments

Standard Benefit
Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

Improved Benefit
Employers have the option of providing an improved cost-of-living adjustment of 3%, 4% or 5%.

The cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% of the initial allowance at retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the retirement formula. The standard employee contribution is as described below.

The percent contributed below the monthly compensation breakpoint is 0%.
The monthly compensation breakpoint is $0 for full and supplemental formula members and $133.33 for employees covered by the modified formula.
The percent contributed above the monthly compensation breakpoint depends upon the benefit formula, as shown in the table below.

Benefit Formula	Percent Contributed above the Breakpoint
Miscellaneous, 2% at 60	7%
Miscellaneous, 2% at 55	7%
Miscellaneous, 2.5% at 55	8%
Miscellaneous, 2.7% at 55	8%
Miscellaneous, 3% at 60	8%
Safety, 1/2 at 55	Varies by entry age
Safety, 2% at 55	7%
Safety, 2% at 50	9%
Safety, 3% at 55	9%
Safety, 3% at 50	9%

The employer may choose to "pick-up" these contributions for the employees (Employer Paid Member Contributions or EPMC). An employer may also include Employee Cost Sharing in the contract, where employees contribute an additional percentage of compensation.

- Auxiliary organizations of the CSUC system may elect reduced contribution rates, in which case the offset is $317 and the contribution rate is 6% if members are not covered by Social Security. If members are covered by Social Security the offset is $513 and the contribution rate is 5%.

Refund of Employee Contributions

If the member's service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited annually with 6% interest.

1959 Survivor Benefit

This is a pre-retirement death benefit available only to members not covered by Social Security. Any agency joining CalPERS subsequent to 1993 was required to provide this benefit if the members were not covered by Social Security. The benefit is optional for agencies joining CalPERS prior to 1994. Levels 1, 2 and 3 are now closed. Any new agency or any agency wishing to add this benefit or increase the current level must choose the 4th or Indexed Level.

This benefit is not included in the results presented in this valuation. For more information on this benefit, go to the CalPERS website at www.calpers.ca.gov.

APPENDIX C

- **GASB STATEMENT NO. 27**

SAFETY PLAN of the CITY OF NEWPORT BEACH
Information for Compliance with GASB Statement No. 27

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. The contribution rate for the indicated period is 28.760% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2010, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2009 to June 30, 2010. The employer and the employer's auditor are responsible for determining the NPO and the APC.

Note: If an agency elects the Annual Lump Sum Prepayment Option, the ARC for the period July 1, 2009 through June 30, 2010 is $7,634,617.

A summary of principal assumptions and methods used to determine the ARC is shown below.

	Retirement Program
Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	31 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. More complete information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (AVA) (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/05	$ 267,192,396	$ 215,965,102	$ 51,227,294	80.8%	83.2%	$ 24,302,584	210.8%
06/30/06	296,419,617	231,701,095	64,718,522	78.2%	83.1%	26,053,209	248.4%
06/30/07	308,551,677	250,062,262	58,489,415	81.0%	94.7%	25,034,573	233.6%

APPENDIX D

GLOSSARY OF ACTUARIAL TERMS

Glossary of Actuarial Terms

Accrued Liability *(also called Actuarial Accrued Liability or Entry Age Normal Accrued Liability)*
The total dollars needed as of the valuation date to fund all benefits earned in the past for *current* members.

Actuarial Assumptions
Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include investment return, salary growth and inflation.

Actuarial Methods
Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.

Actuarial Valuation
The determination, as of a valuation date, of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Actuarial Value of Assets
The actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years.

This method helps to dampen large fluctuations in the employer contribution rate.

Amortization Bases
Separate payment schedules for different portions of the unfunded liability. The total unfunded liability of a risk pool or non-pooled plan can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in unfunded liability due to amendments, actuarial assumption changes, actuarial methodology changes, and gains and losses. Payment periods are determined by Board policy and vary based on the cause of the change.

Amortization Period
The number of years required to pay off an amortization base.

Annual Required Contributions (ARC)
The employer's periodic required annual contributions to a defined benefit pension plan as set forth in GASB Statement No. 27, calculated in accordance with the plan assumptions. The ARC is determined by multiplying the employer contribution rate by the payroll reported to CalPERS for the applicable fiscal year. However, if this contribution is fully prepaid in a lump sum, then the dollar value of the ARC is equal to the Lump Sum Prepayment.

Entry Age
The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan or risk pool. In most cases, this is age of the member on their date of hire.

Entry Age Normal Cost Method
An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll.

(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member on the date of hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Excess Assets

When a plan's actuarial value of assets is greater than its accrued liability, the difference is the plan's excess assets. A plan with excess assets is said to be overfunded. The result of having excess assets is that the plan may temporarily reduce future contributions.

Fresh Start

A fresh start is the single amortization base created when multiple amortization bases are collapsed into one base and amortized over a new funding period.

Funded Status

A measure of how well funded a plan is. Or equivalently, how "on track" a plan is with respect to assets vs. accrued liabilities. We calculate a funded ratio by dividing the market value of assets by the accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets.

GASB 27

Statement No. 27 of the Governmental Accounting Standards Board. The accounting standard governing a state of local governmental employer's accounting for pensions.

Lump Sum Contribution

A payment made by the employer to reduce or eliminate the unfunded liability.

Normal Cost

The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost should be viewed as the long term contribution rate.

Pension Actuary

A person who is responsible for the calculations necessary to properly fund a pension plan.

Prepayment Contribution

A payment made by the employer to reduce or eliminate the year's required employer contribution.

Present Value of Benefits

The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for *current* members.

Rolling Amortization Period

An amortization period that remains the same each year, rather than declining.

Superfunded

A condition existing when the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation may be waived.

Unfunded Liability

A plan with an actuarial value of assets below the accrued liability is said to have an unfunded liability and must temporarily increase contributions to get back on schedule.

Actuarial Cost Estimates in General

What will this amendment cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer:

- First, all actuarial calculations, including the ones in this cost estimate are based on a lot of assumptions about the future – demographic assumptions about the percentage of your employees that will terminate, die, become disabled, and retire in each future year, and economic assumptions about what salary increases each employee receives and the most important assumption: what the assets at CalPERS will earn for each year into the future until the last dollar is paid to current members of your plan. While CalPERS has set these assumptions as our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized each year as we go forward. For example, the asset earnings for the past 15 years at CalPERS have ranged from -7.2% to 20.1%, yet the 15 year compound return has been 10.4%, well above our assumption.

- Second, the very nature of actuarial funding produces the answer to the question of amendment cost as the sum of two separate pieces:

    1. The increase in Normal Cost (i.e., the increase in future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll, and

    2. The increase in Past Service Cost (i.e., Accrued Liability – representing the current value of the increased benefit for all past service of current members) which is expressed as a lump sum dollar amount.

- The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the increase in Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the result is called the increase in the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the result is the increase in the employer's rate). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period. So, the new employer rate can be computed in many different ways depending on how long one will take to pay for it. And don't forget the first bullet point above; all of these results depend on all of the assumptions being exactly realized.

Rate Volatility

As is stated above, the cost estimates supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Even if these assumptions are exactly realized (terminations, deaths, disabilities, retirements, salary growth, and investment return) there will be differences on a year to year basis. This year to year difference between actual experience and the assumptions is called gains and losses and serve to raise or lower the employer's rates from year to year. So, the rates will bounce around, especially due to the ups and downs of investment returns.

The volatility in annual employer rates may be affected by this amendment. The reason is that higher benefits and earlier retirement ages require the accumulation of more assets per member earlier in their career. Rate volatility can be measured by the ratio of plan assets to active member payroll. Higher asset to payroll ratios produce more volatile employer rates. To see this, consider two plans, one with assets that are 4 times active member payroll, and the other with assets that are 8 times active member payroll. In a given year, see what happens when assets rise or fall 10% above or below the actuarial assumption. For the plan with a ratio of 4, this 10 percent gain or loss in assets is the same in dollars as 40% of payroll; and for the plan with a ratio of 8, this is equivalent to 80% of payroll. If this gain or loss is spread over 20 years (and we oversimplify by ignoring interest on the gain or loss), then the first plan's rate changes by 2% of pay while the second plan's rate changes by 4% of pay.

When a plan is amended, liability changes but assets do not. In addition, the desired state is to be 100% funded (i.e., to bring assets to equal accrued liability). Therefore, we disclose the ratio of accrued liability to payroll rather than assets to payroll as a measure of the plan's potential future rate volatility. The higher the ratio, the more volatile the future rate may be. The table below contains these measures of potential future rate volatility.

As of June 30, 2007	Current Plan	Post-Amendment
Accrued Liability	$ 308,551,677	$ 309,338,753
Payroll	25,034,573	25,034,573
Volatility Index	12.3	12.4

It should also be noted that these ratios tend to stabilize as the plan matures. That is, all plans with no past service start their lives with zero assets and zero accrued liability – and so asset to payroll ratio and liability to payroll ratio of zero. However, as time goes by these ratios begin to rise and then tend to stabilize at some constant amount as the plan matures. Higher benefit levels and earlier expected retirements produce higher constant future ratios. For example, our miscellaneous plans have average ratios that range from 2.6% for 2% @ 60 plans to 5.1% for 2.7% @ 55 plans. For safety plans, the ratios range from 5.2% for 2% @ 55 plans to 9.3% for 3% @ 50 plans.

Present Value of Projected Benefits

The table below shows the change in the total present value of benefits for the proposed plan amendment. The present value of benefits represents the total dollars needed today to fund all future benefits for *current* members of the plan (i.e., without regard to future employees). The difference between this amount and current plan assets must be paid by future employee and employer contributions. As such, the change in the present value of benefits due to the plan amendment represents the "cost" of the plan amendment.

However, for plans with excess assets some or all of this "cost" may already be covered by current excess assets.

As of June 30, 2007	Current Plan	Post-Amendment
Total Assets at Market Value (MVA)	$ 292,102,211	$ 292,102,211
Actuarial Value of Assets (AVA)	250,062,262	250,062,262
AVA / MVA	85.6%	85.6%
Present Value of Projected Benefits (PVB)	$ 364,567,961	$ 365,332,822
Actuarial Value of Assets (AVA)	250,062,262	250,062,262
Present Value of Future Employer and Employee Contributions (PVB – AVA)	$ 114,505,699	$ 115,270,560
Change to PVB		764,861

Accrued Liability

It is not required, nor necessarily desirable, to have accumulated assets sufficient to cover the total present value of benefits until every member has left employment. Instead, the actuarial funding process calculates a regular contribution schedule of employee contributions and employer contributions (called normal costs) which are designed to accumulate with interest to equal the total present value of benefits by the time every member has left employment. As of each June 30, the actuary calculates the "desirable" level of plan assets as of that point in time by subtracting the present value of scheduled future employee contributions and future employer normal costs from the total present value of benefits. The resulting "desirable" level of assets is called the *accrued liability*.

A plan with assets exactly equal to the plan's accrued liability is simply "on schedule" in funding that plan, and only future employee contributions and future employer normal costs are needed. A plan with assets below the accrued liability is "behind schedule", or is said to have an *unfunded liability*, and must temporarily increase contributions to get back on schedule. A plan with assets in excess of the plan's accrued liability is "ahead of schedule", or is said to have *excess assets*, and can temporarily reduce future contributions. A plan with assets (AVA) in excess of the total present value of benefits is called *super-funded*, and neither future employer nor employee contributions are required. Of course, events such as plan amendments and investment or demographic gains or losses can change a plan's condition from year to year. For example, a plan amendment could cause a plan to move all the way from being super-funded to being in an unfunded position.

The changes in your plan's accrued liability, unfunded accrued liability, and the actuarial values of assets funded ratio as of June 30, 2007 due to the plan amendment are shown in the table below.

As of June 30, 2007	Current Plan	Post-Amendment
Entry Age Normal Accrued Liability (AL)	$ 308,551,677	$ 309,338,753
Actuarial Value of Assets (AVA)	250,062,262	250,062,262
Unfunded Liability/(Excess Assets) (UAL = AL – AVA)	$ 58,489,415	$ 59,276,491
Funded Ratio (AVA / AL)	81.0%	80.8%
Change to AL		787,076

Total Employer Contribution Rate

While the table above gives the changes in the accrued liability and funded status of the plan due to the amendment, there remains the question of what will happen to the employer contribution rate because of the change in plan provisions.

CalPERS policy is to implement rate changes due to plan amendments immediately on the effective date of the change in plan benefits. This change is displayed as the "Change to Total Employer Rate" on the following page. If the contract amendment effective date is on or before June 30, 2009, the change in the employer contribution rate should be added to the employer's current rate. In general, the policy also provides that the change in unfunded liability due to the plan amendment will be separately amortized over a period of 20 years from the effective date of the amendment and all other components of the plan's unfunded liability/excess assets will continue to be amortized separately.

However, your actuary may choose to apply different rules to plans with a current employer contribution rate of zero. The pre-amendment excess assets in these plans were sufficient to cover the employer's normal cost for one or more years into the future. A plan amendment will use up some or all of the pre-amendment excess assets. In order to maintain our goal of providing rates that are relatively stable, while taking into account known or expected future events, your actuary may decide to spread any remaining excess assets over a single number of years. This is known as a "fresh start" and will, in no case, be less than 5 years. You may call your actuary to discuss further alternative financing options. If the amendment uses up all excess assets and creates an unfunded liability (i.e., from being ahead of schedule to behind schedule), the total post-amendment unfunded liability may be amortized over 20 years.

In no case may the annual contribution with regard to a positive unfunded liability be less than the amount which would be required to amortize that unfunded liability, as a level percent of pay, over 30 years. The table on the following page shows the change in your plan's employer contribution rate due to the plan amendment for fiscal year 2009-2010.

CONTRACT AMENDMENT COST ANALYSIS - VALUATION BASIS: June 30, 2007
SAFETY PLAN FOR CITY OF NEWPORT BEACH
Employer Number: 60
Benefit Description: Section 21362.2, 3% @ 50 Full Formula for Local Safety Members (Safety Lifeguards Only)

As of June 30, 2007	Current Plan	Post-Amendment
2009-2010 Employer Rate		
Payment for Normal Cost	15.251%	15.376%
Payment on Amortization Bases	13.509%	13.779%
Total Employer Rate	28.760%	**29.155%**
Change to Normal Cost		0.125%
Change to Total Employer Rate		0.395%
Current Amortization Bases [1]	Multiple Bases	
Amendment Amortization Base		
- Fresh Start [2]		N/A
- Multiple Base [3]		20-year
2009-2010 Employee Rate		
Total Employee Rate	9.000%	9.000%
Change to Total Employee Rate		0.000%
2010-2011		
Estimated Employer Rate	28.3%	28.8%
Projection Amortization Base	Multiple Base	Multiple Base

1 – Details of the current amortization base are shown on page 13 of June 30, 2007 annual valuation report. If you have adopted any other subsequent amendments, the current amortization base is the schedule after these adopted amendments.
2 - If a fixed number of years is shown, it means that the current unfunded actuarial liability is projected and amortized over this fixed number of years. This amortization replaces the amortization schedule shown in your June 30, 2007 annual valuation and any other subsequent amendments you have adopted.
3 - If 20-year is shown, it means that the change in liability due to plan amendments is amortized separately over a 20-year period. This amortization schedule is in addition to the amortization schedule shown in the June 30, 2007 annual valuation and any other subsequent amendments you have adopted.

In the above table, the information shown represents the actual initial contribution rate that will apply during fiscal year 2009-2010 if you adopt the amendment. However, these figures do not incorporate the investment return in 2007-2008. The estimated employer rate shown for 2010-2011 incorporates this return and assumes no demographic gains or losses. The rate of return used for the post-amendment analysis was -5.1%. Due to timing and availability of data, the annual valuation projected an employer rate using a rate of return of -2.5%. If the investment rate of return of -5.1% had been available at the time of the annual valuation, the projected employer contribution rate shown in the annual valuation report would be approximately 0.1% higher.

Note that the change in normal cost in the table above may be much more indicative of the long term change in the employer contribution rate due to the plan amendment. The plan's payment on amortization bases shown in the table above is a temporary adjustment to the employer contribution to "get the plan back on schedule". This temporary adjustment to the employer rate varies in duration from plan to plan. For example, a plan with initial excess assets being amortized over a short period of time will typically experience a large rate increase when excess assets are fully amortized. While a plan amendment for such a plan may produce little or no increase in the employer contribution rate now, the change in normal cost due to the plan amendment will become fully reflected in the employer contribution rate as soon as initial excess assets are fully amortized.

Disclosure

If your agency is requesting cost information for two or more benefit changes, the cost of adopting more than one of these changes **may not** be obtained by adding the individual costs. Instead, a separate valuation must be done to provide a cost analysis for the combination of benefit changes. If the proposed plan amendment applies to only some of the employees in the plan, the rate change due to the plan amendment still applies to the entire plan, and is still based on the total plan payroll.

Any mandated benefit improvements not included in the June 30, 2007 annual valuation have not been incorporated into this cost analysis.

Please note that the cost analysis provided in this document **may not** be relied upon after August 1, 2009. If you have not taken action to amend your contract, by this date, you must contact our office for an updated cost analysis, based on the new annual valuation.

Descriptions of the actuarial methodologies, actuarial assumptions, and plan benefit provisions may be found in the appendices of the June 30, 2007 annual report. Please note that the results shown here are subject to change if any of the data or plan provisions change from what was used in this study.

Certification

This actuarial valuation for the proposed plan amendment is based on the participant, benefits, and asset data used in the June 30, 2007 annual valuation, with the benefits modified if necessary to reflect what is currently provided under your contract with CalPERS, and further modified to reflect the proposed plan amendment. The valuation has been performed in accordance with standards of practice prescribed by the Actuarial Standards Board, and the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Richard Santos, ASA, MAAA
Senior Pension Actuary, CalPERS

Fin Process Ids: Annual-318076 Base-321835 Proposal-321836

Summary of Plan Amendments Valued

COVERAGE GROUP 76001

Pre-Amendment

- The Service Retirement benefit calculated for service earned by this group of members is a monthly allowance equal to the product of the 3% @ 55 benefit factor, years of service, and final compensation. (Final compensation is reduced by $133.33 per month for members with a modified formula). The benefit factors for retirement at integral ages are shown below:

Retirement Age	3% at 55 Factor
50	2.400%
51	2.520%
52	2.640%
53	2.760%
54	2.880%
55 and older	3.000%

Post-Amendment

- The Service Retirement benefit calculated for service earned by this group of members is a monthly allowance equal to the product of the 3% @ 50 benefit factor, years of service, and final compensation. (Final compensation is reduced by $133.33 per month for members with a modified formula). The benefit factors for retirement at integral ages are shown below:

Retirement Age	3% at 50 Factor
50	3.000%
51	3.000%
52	3.000%
53	3.000%
54	3.000%
55 and older	3.000%