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October 7, 2005

MISCELLANEOUS PLAN OF THE CITY OF NEWPORT BEACH (EMPLOYER # 60)
Annual Valuation Report as of June 30, 2004

Dear Employer,

Enclosed please find a copy of the June 30, 2004, actuarial valuation of your pension plan (a separate report is included for each plan). This valuation report contains important actuarial information about your pension plan at CalPERS. CalPERS staff actuaries are available to discuss the actuarial report with you.

Changes Since Prior Year's Valuation

There is one change in the June 30, 2004 valuation compared to the prior year which affects all plans. The CalPERS Board has approved a new rate stabilization policy. Also there may be changes specific to your plan such as contract amendments and funding changes. The effects of these changes on your required employer contribution for 2006/2007 are shown in the RECONCILIATION OF REQUIRED CONTRIBUTIONS section of the report.

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2006/2007 along with an estimate of the contribution rate and Superfunded status for 2007/2008. The estimated rate for 2007/2008 is based on a projection of the most recent information we have available, including our latest best estimate of the investment return for fiscal 2004/2005, namely 12%. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2006/2007	9.132%	NO
2007/2008	9.1% (projected)	NO

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

The estimate for 2007/2008 also assumes that there are no amendments and no liability gains or losses (such as 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 of one or two percent or larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2007/2008 is just an estimate. Your actual rate for 2007/2008 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
Chief Actuary, Actuarial and Employer Services

ACTUARIAL VALUATION
as of June 30, 2004

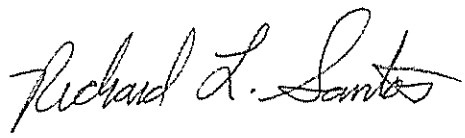
for the
MISCELLANEOUS PLAN
of the
CITY OF NEWPORT BEACH
(EMPLOYER # 60)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2006 - June 30, 2007

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

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 MISCELLANEOUS PLAN OF THE CITY OF NEWPORT BEACH. This valuation is based on the member and financial data as of June 30, 2004 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.



Richard Santos, A.S.A.
Associate Pension Actuary, CalPERS

Ron Seeling, Ph.D., F.C.A., A.S.A., M.A.A.A.
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, 2004 actuarial valuation of the MISCELLANEOUS PLAN OF THE CITY OF NEWPORT BEACH of the California Public Employees' Retirement System (CalPERS). The valuation was performed by CalPERS staff actuaries in order to:

- set forth the actuarial assets and funding liabilities of this plan as of June 30, 2004;
- certify the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2006 through June 30, 2007 is 9.132%;
- provide actuarial information as of June 30, 2004 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2004 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27.

Use of this report for other purposes is inappropriate.

Required Contributions

	Fiscal Year 2005/2006	Fiscal Year 2006/2007
Required Contributions		
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	$ 2,509,125	$ 2,694,501
Payment on the Amortization Bases	785,218	731,587
Total (not less than zero)	$ 3,294,343	$ 3,426,088
Employer Contribution Required (Percentage of Payroll)		
Payment for Normal Cost	7.217%	7.182%
Payment on the Amortization Bases	2.259%	1.950%
Total (not less than zero)	9.476%	9.132%
Required Employee Contributions (Percentage)	7.000%	7.000%

Details regarding the payment on amortization bases for the current valuation can be found in the Schedule of Amortization Bases section of this report.

Funded Status

	June 30, 2003	June 30, 2004
Market Value of Assets	$ 121,921,027	$ 138,642,729
Present Value of Projected Benefits	179,158,258	192,932,223
Entry Age Normal Accrued Liability	139,983,194	151,246,453
Actuarial Value of Assets	134,113,130	140,911,426
Unfunded Liability	$ 5,870,064	$ 10,335,027
Funded Status	95.8%	93.2%
Superfunded Status	No	No

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 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 20.5% while the 15 year compound return has been 9.4%, well above our assumption.

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

1. 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, and

2. 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 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.

Rate volatility can be measured by the ratio of 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 payroll. In a given year, consider 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 pool with a ratio of 8; this is equivalent to 80% of payroll. If this gain or loss is spread over 10 years (and we oversimplify by ignoring interest on the gain or loss), then the first plan's rate changes by 4% of pay while the second plan's rate changes by 8% of pay.

The desired state for any plan is to be 100% funded (i.e., with assets equal to 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 this measure of potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the plan matures.

	CURRENT PLAN
	As of June 30, 2004
Accrued Liability	151,246,453
Payroll	34,084,963
Volatility Index	4.44

Changes Since Prior Valuation

Actuarial Methods

In April 2005 the CalPERS Board approved an employer rate stabilization policy, with the following features:

1. In the calculation of the actuarial value of assets, market value asset gains and losses are spread over 15 years as compared to 3 years; and
2. Changed the corridor limits for the actuarial value of assets from 90% - 110% of market value to 80% - 120% of market value; and
3. Gains and losses are amortized over a rolling 30 year period. In the past, the amortization payment on gains and losses was 10% of the base.
4. A minimum employer contribution rate was established equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0%).

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 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.

Prior to 2005/2006, the contribution for the 1959 Survivor Benefit program First and Second level was calculated for each agency on a stand-alone basis and included with the contribution for the retirement program in this report. Beginning with the June 30, 2004 valuation, 2005/2006 rate, the contribution for the 1959 Survivor Benefit program First and Second Level is calculated on a pooled basis and billed separately.

Subsequent Events

The rate set in this valuation takes into account an investment return of 16.7% for fiscal year 2003-2004. Even though our long-term investment assumption at CalPERS is 7.75%, there is still an investment loss to be recognized as explained in the following paragraph. This loss is noted on the gain/loss analysis page of this report.

Recently, we have experienced investment returns below that which was actuarially assumed. During that period, our asset smoothing method deferred most of these losses into the future. Essentially, it accomplished this by setting the actuarial value of assets equal to 110% of their true market value. Consequently when asset returns rebound and we have gains greater than that assumed, the smoothing method requires us to begin paying for those past deferred losses. It does this by moving the actuarial value back towards the market value. It was calculated last year that an investment return of around 18% was needed to bring actuarial value back to 100% of market value. This is the same as saying we needed a return of 18% to completely pay for all of those past investment losses deferred.

It should be noted that since the actuarial value is still slightly above 100% of market value in this valuation, there are still past losses not yet recognized and paid for. These will be realized in future valuations.

SUMMARY OF LIABILITIES AND RATES

- DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES
- ROLL FORWARD OF UNFUNDED LIABILITIES
- SCHEDULE OF AMORTIZATION BASES
- (GAIN) / LOSS ANALYSIS
- 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	$	120,989,096
	b) Transferred Members		7,215,454
	c) Terminated Members		4,645,962
	d) Members and Beneficiaries Receiving Payments		60,081,711
	e) Total		192,932,223
2.	Present Value of Future Employer Normal Costs		20,306,963
3.	Present Value of Future Employee Contributions		21,378,807
4.	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]		79,303,326
	b) Transferred Members		7,215,454
	c) Terminated Members		4,645,962
	d) Members and Beneficiaries Receiving Payments		60,081,711
	e) Total		151,246,453
5.	Actuarial Value of Assets		140,911,426
6.	Unfunded Accrued Liability/(Excess Assets) [(4e) - (5)]		10,335,027

Roll Forward of Unfunded Liabilities

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

- The assets, liabilities and funded status of the plan are measured as of the valuation date.
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date.

This valuation has a valuation date of June 30, 2004 and determines the employer contribution rate for the 2006-2007 fiscal year. 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 for the fiscal year and therefore it must be rolled forward two years from the valuation date to the first day of the fiscal year. 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 fiscal year based on a projection from the payroll used in the current valuation.

Retirement Program

1.	Employer Contribution Rate for 2004/2005 from 6/30/2002 Valuation		4.517%
2.	Projected Annual Payroll for 2004/2005 from 6/30/2004 Valuation	$	35,192,724
3.	Employer Contribution Rate for 2005/2006 from 6/30/2003 Valuation		9.476%
4.	Projected Annual Payroll for 2005/2006 from 6/30/2004 Valuation	$	36,336,488
5.	Projected Annual Payroll for 2006/2007 from 6/30/2004 Valuation	$	37,517,424
6.	Employer Normal Cost Rate from 6/30/2004 Valuation		7.182%
7.	6/30/2004 Unfunded Liability	$	10,335,027
8.	Expected Employer Normal Cost for 2004/2005 = (6) x (2)		2,527,541
9.	Expected Employer Contribution = (1) x (2)		1,589,655
10.	Expected Payment on Unfunded Liability = (9) – (8)		(937,886)
11.	Expected Interest on (7) and (10) at 7.75% assuming mid-year payments of contributions		836,630
12.	6/30/2005 Expected Unfunded Liability = (7) - (10) + (11)		12,109,543
13.	Expected Employer Normal Cost for 2005-2006 = (6) x (4)	$	2,609,687
14.	Expected Employer Contribution = (3) x (4)		3,443,246
15.	Expected Payment on Unfunded Liability = (14) - (13)		833,559
16.	Expected Interest on (12) and (15) at 7.75%		906,791
17.	6/30/2006 Rolled Forward Unfunded Liability = (12) - (15) + (16)		12,182,775

An adjustment has been made in cases where there was an amendment during the year to reflect the partial year's payment for the amendment.

Annual payroll is assumed to increase by 3.25% each year.

Schedule of Amortization Bases

The schedule below shows the development of the "Payment on the Amortization Bases" shown in the REQUIRED CONTRIBUTIONS and DEVELOPMENT OF REQUIRED EMPLOYER CONTRIBUTIONS section of this report. This payment represents the employer contribution toward the Unfunded Liability. Each row of the schedule gives a brief description of a base (or portion of the Unfunded Liability), the date the base was established, the original amount, and the number of years from June 30,2006 to the final payment (Amortization Period). The balance of the base is then shown for the year immediately following the valuation date and the expected payment and projected base are shown for the next two fiscal years. The last year shown is the one for which rates are established in this report. The total expected payments for the fiscal years 2004/2005 and 2005/2006 are the fiscal years' expected payrolls multiplied by the difference between the fiscal years' total employer rate percentage and the June 30, 2004 employer normal cost percentage. The total payroll is expected to grow by 3.25% annually. Please see Appendix A for more detail, particularly for an explanation of how amortization periods are determined.

							Amounts for Fiscal 2006/2007		
Reason for Base	Date Established	Remaining Amortization Period	Balance 6/30/04	Expected Payment 2004/2005	Balance 6/30/05	Expected Payment 2005/2006	Balance 6/30/06	Scheduled Payment for 2006/2007	Payment as Percentage of Payroll
(GAIN)/LOSS	06/30/04	30	$10,983,226	$(913,535)	$12,782,700	$785,218	$12,958,281	$778,157	2.074%
PAYMENT (GAIN)/LOSS	06/30/04	30	$0	$(24,351)	$25,277	$48,341	$(22,943)	$(1,378)	(0.004%)
FRESH START	06/30/04	30	$(648,199)	$0	$(698,434)	$0	$(752,563)	$(45,192)	(0.120%)
TOTAL			**$10,335,027**	**$(937,886)**	**$12,109,543**	**$833,559**	**$12,182,775**	**$731,587**	**1.950%**

(Gain)/Loss Analysis 6/30/03 – 6/30/04

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 6/30/03		$	5,870,064
2.	Expected Payment on the Unfunded Liability (UL) during 2003/2004			(2,353,652)
3.	Interest through 6/30/04 [.0775 x (A1) – ((1.0775)$^{1/2}$ - 1) x (A2) + adj.]			544,432
4.	Expected UL before all other changes [(A1) – (A2) + (A3)]			8,768,148
5.	Change in UL due to new plan changes			0
6.	Change in UL due to change in actuarial methods			(648,199)
7.	Change in UL due to additional contributions			0
8.	Expected UL after all other changes [(A4) + (A5) + (A6) + (A7)]			8,119,949
9.	Actual UL as of 6/30/04			10,335,027
10.	Total (Gain)/Loss for 2003/2004 [(A9) – (A8)]		$	2,215,078
B	**Contribution (Gain)/Loss for the Year**			
1.	Expected Contribution		$	2,282,883
2.	Expected Interest on Expected Contributions			86,811
3.	Actual Contributions			2,349,370
4.	Expected Interest on Actual Contributions			89,339
5.	Contribution (Gain)/Loss [(B1) + (B2) – (B3) – (B4)]		$	(69,015)
C	**Asset (Gain)/Loss for the Year**			
1.	Actuarial Value of Assets as of 6/30/03		$	134,113,130
2.	Contributions Received during 2003/2004			2,349,370
3.	Benefits and Refunds Paid during 2003/2004			(5,787,584)
4.	Transfers/Misc. Adjustments paid during fiscal 2003/2004			130,572
5.	Expected Int. [.0775 x (C1) + ((1.0775)$^{1/2}$ - 1) x ((C2) + (C3) + (C4))]			10,267,988
6.	Expected Assets as of 6/30/04 [(C1) + (C2) + (C3) + (C4) + (C5)]			141,073,476
7.	Change due to change in actuarial methods			(648,199)
8.	Actual Actuarial Value of Assets as of 6/30/04			140,911,426
9.	Asset (Gain)/Loss for 2003/2004 [(C6) – (C7) – (C8)]		$	810,249
D	**Liability (Gain)/Loss for the Year**			
1.	Total (Gain)/Loss (A10)		$	2,215,078
2.	Contribution (Gain)/Loss (B5)			(69,015)
3.	Asset (Gain)/Loss (C9)			810,249
4.	Liability (Gain)/Loss [(D1) – (D2) – (D3)]		$	1,473,844
Development of the (Gain)/Loss Balance as of 6/30/04				
1.	(Gain)/Loss Balance as of 6/30/03		$	0
2.	Payment Made on the Balance during 2003/2004			0
3.	Interest through 6/30/04 [.0775 x (1) – ((1.0775)$^{1/2}$ – 1) x (2)]			0
4.	Scheduled (Gain)/Loss Balance as of 6/30/04 [(1) – (2) + (3)]		$	0
5.	(Gain)/Loss for Fiscal Year ending 6/30/04 [(A10) above]			2,215,078
6.	Prior Year Fresh Start Converted to (Gain)/Loss			8,768,148
7.	Final (Gain)/Loss Balance as of 6/30/04 [(4) + (5) + (6)]		$	10,983,226

An adjustment has been made in cases where there was an amendment during the year to reflect the partial year's payment for the amendment.

Development of Required Employer Contributions

	Fiscal Year2006/2007	
	Percentage of Projected Payroll	**Estimated $ Based On Projected Payroll**
Employer Contribution Required		
Payment for Normal Cost	7.182%	$ 2,694,501
Payment on Amortization Bases	1.950%	731,587
Total (not less than zero)	9.132%	3,426,088

Details regarding the payment on amortization bases can be found in the Schedule of Amortization Bases section of this report.

Reconciliation of Required Employer Contributions

		Percentage of Projected Payroll	**Estimated $ Based on Projected Payroll**
1.	Contribution for 7/1/05 - 6/30/06	9.476%	$ 3,294,343
2.	Effect of changes since the prior valuation		
	a) Effect of unexpected changes in demographics and financial results	0.573%	214,823
	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	260,642
	e) Effect of changes in Actuarial Methods or Assumptions	(0.949%)	(355,370)
	f) Effect of changes due to additional contributions	0.000%	0
	g) Effect of changes due to Fresh Start	0.032%	11,650
	h) Net effect of the changes above [Sum of (a) through (g)]	(0.344%)	131,745
3.	Contribution for 7/1/06 - 6/30/07 [(1)+(2h)]	9.132%	3,426,088

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, 2004, as determined by the annual actuarial valuation. It also shows the weighted average rate actually paid, considering plan changes and lump sum prepayments made during the fiscal year.

	Required by Valuation		Actually Paid
Fiscal Year	Employer Normal Cost	Total	Total
2004 - 2005	6.623%	4.328%	4.517%
2005 – 2006	7.217%	9.476%	
2006 - 2007	7.182%	9.132%	

Funding History

The Funding History 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 (b)	Unfunded Liability (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/02	$ 120,029,572	$ 132,552,210	$ (12,522,638)	110.4%	$ 29,909,551	(41.9%)
06/30/03	139,983,194	134,113,130	5,870,064	95.8%	31,586,061	18.6%
06/30/04	151,246,453	140,911,426	10,335,027	93.2%	34,084,963	30.3%

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

Retirement Program

1.	Market Value of Assets as of June 30, 2003	$	121,921,027
2.	Employer Contributions received during fiscal 2003/2004		0
3.	Employee Contributions received during fiscal 2003/2004		2,349,370
4.	Benefit Payments paid during fiscal 2003/2004		(5,557,044)
5.	Refunds paid during fiscal 2003/2004		(205,157)
6.	Lump Sum Payments paid during fiscal 2003/2004		(25,383)
7.	Investment Return		20,029,344
8.	Transfers In/Out and Miscellaneous Adjustments		130,572
9.	Market Value of Assets as of June 30, 2004 [(1)+(2)+(3)+(4)+(5)+(6)+(7)+(8)]	$	138,642,729

In accordance with Generally Accepted Accounting Principles (GAAP), CalPERS' Fiscal Services Division's accounting records including accounts receivable to recognize income from transactions in the period in which those transactions occurs. When CalPERS receives payroll information, it determines the amount receivable for employer and employee contributions. Thus, contribution amounts may reflect contributions due, even if not paid.

Transfers in/out and miscellaneous adjustments include such things as prepayments to the unfunded liability, receivable payments and transfers between plans.

Development of the Actuarial Value of Assets

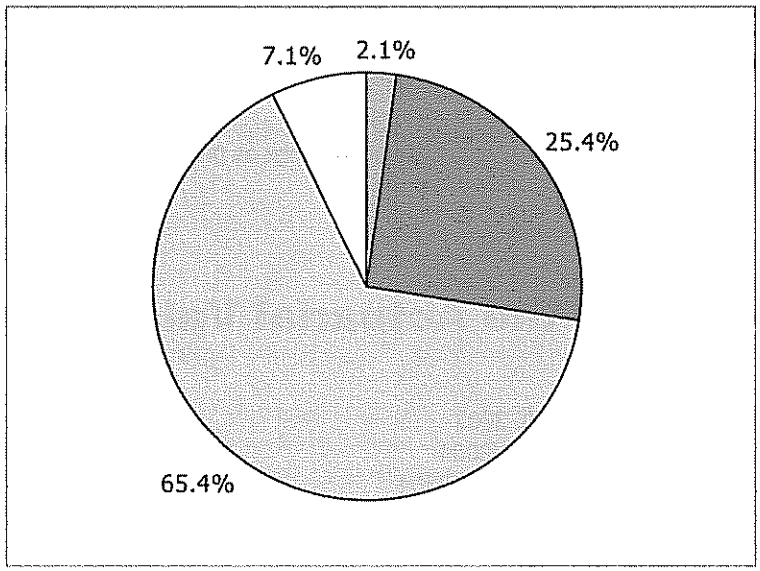
1.	Actuarial Value of Assets as of June 30, 2003	$	134,113,130
2.	Contributions received during fiscal 2003/2004		2,349,370
3.	Benefits and Refunds paid during fiscal 2003/2004		(5,787,584)
4.	Transfers and Miscellaneous Adjustments		130,572
5.	Expected investment earnings during fiscal 2003/2004 [(1) x .0775 + $(1.0775^{1/2} - 1)$ x ((2) + (3) + (4))]		10,267,988
6.	Expected Actuarial Value of Assets as of June 30, 2004 [(1) + (2) + (3) + (4)+ (5)]		141,073,476
7.	Market Value of Assets as of June 30, 2004		138,642,729
8.	Actuarial Value of Assets as of June 30, 2004 [(6) + ((7) – (6)) / 15 but not less than 80% or more than 120% of (7)]		140,911,426
9.	Actuarial Value as a Percentage of Market Value as of June 30, 2004 [(8) / (7)]		101.6%

Asset Allocation*

(as of June 30, 2004)

The asset allocation and market value of assets shown below are in respect of the CITY OF NEWPORT BEACH MISCELLANEOUS PLAN. The assets for CITY OF NEWPORT BEACH MISCELLANEOUS PLAN are part of the Public Employees Retirement Fund (PERF) and the allocations below reflect those prescribed by the CalPERS Board of Administration and Investment Committee.

(A) Asset Class	(B) Market Value ($ Million)	(C) Current Allocation	(D) Target
1) Total Cash Equivalents	2.9	2.1%	0.0%
2) Total Global Fixed Income	35.2	25.4%	26.0%
3) Total Equities	90.7	65.4%	65.0%
4) Total Real Estate	9.8	7.1%	9.0%
Total Fund	138.6	100.0%	100.0%



* 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. Policy targets are typically implemented over a period of several years on market declines and through dollar cost averaging.

SUMMARY OF PARTICIPANT DATA

- **SUMMARY OF VALUATION DATA**
- **DISTRIBUTION OF ACTIVE MEMBERS**
- **DISTRIBUTION OF RETIRED MEMBERS AND BENEFICIARIES**

Summary of Valuation Data

	June 30, 2003	June 30, 2004
1. Active Members		
a) Counts	563	569
b) Average Attained Age	42.31	42.67
c) Average Entry Age to Rate Plan	32.73	32.67
d) Average Years of Service	9.58	10.00
e) Average Annual Covered Pay	$ 56,103	$ 59,903
f) Annual Covered Payroll	31,586,061	34,084,963
g) Projected Annual Payroll for Contribution Year	34,766,875	37,517,424
h) Present Value of Future Payroll	286,461,898	305,411,357
2. Transferred Members		
a) Counts	179	188
b) Average Attained Age	43.85	44.10
c) Average Years of Service	N/A	2.74
d) Average Annual Covered Pay	N/A	$ 77,961
3. Terminated Members		
a) Counts	175	190
b) Average Attained Age	41.13	41.42
c) Average Years of Service	N/A	2.94
d) Average Annual Covered Pay	N/A	$ 38,198
4. Retired Members and Beneficiaries		
a) Counts	354	358
b) Average Attained Age	69.50	69.53
c) Average Annual Benefits	$ 15,014	$ 15,412

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

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	27	0	0	0	0	0	27
25-29	52	3	0	0	0	0	55
30-34	39	21	6	0	0	0	66
35-39	30	19	18	9	0	0	76
40-44	31	13	20	24	10	0	98
45-49	18	13	19	15	12	6	83
50-54	9	13	12	11	10	14	69
55-59	10	14	11	9	5	12	61
60-64	4	5	3	5	4	3	24
65 and over	2	2	4	2	0	0	10
All Ages	222	103	93	75	41	35	569

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	$25,758	$0	$0	$0	$0	$0	$25,758
25-29	42,795	46,859	0	0	0	0	43,017
30-34	50,197	53,251	66,649	0	0	0	52,665
35-39	50,434	59,553	53,764	69,293	0	0	55,736
40-44	52,861	69,877	70,191	63,502	57,646	0	61,749
45-49	56,858	73,793	66,929	70,522	61,223	56,405	64,884
50-54	56,916	74,972	62,142	66,676	70,681	80,826	69,629
55-59	64,750	77,903	81,870	74,280	59,826	81,479	75,149
60-64	93,050	63,599	91,311	81,421	111,771	85,742	86,481
65 and over	30,084	45,583	40,897	48,039	0	0	41,100
Average	$47,954	$65,364	$65,881	$68,142	$67,419	$77,285	$59,903

Retired Members and Beneficiaries

Number 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	1	1
30-34	0	0	0	0	0	0	0
35-39	0	0	1	0	0	0	1
40-44	0	2	4	0	1	0	7
45-49	0	3	0	0	0	1	4
50-54	7	6	0	0	0	0	13
55-59	33	9	0	0	0	4	46
60-64	37	3	0	0	0	0	40
65-69	61	4	0	0	0	4	69
70-74	49	1	0	0	0	6	56
75-79	34	3	0	0	0	7	44
80-84	36	1	0	0	0	7	44
85 and Over	24	0	0	0	0	8	32
All Ages	281	32	5	0	1	38	357

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	$3,274	$3,274
30-34	0	0	0	0	0	0	0
35-39	0	0	140	0	0	0	140
40-44	0	9,896	165	0	85	0	2,934
45-49	0	10,272	0	0	0	306	7,781
50-54	11,946	12,655	0	0	0	0	12,273
55-59	12,172	11,295	0	0	0	6,616	11,517
60-64	19,952	9,391	0	0	0	0	19,160
65-69	22,246	10,389	0	0	0	26,409	21,800
70-74	18,841	15,654	0	0	0	7,545	17,574
75-79	15,246	5,553	0	0	0	21,167	15,527
80-84	12,857	12,483	0	0	0	8,672	12,183
85 and Over	8,321	0	0	0	0	10,492	8,864
Average	$16,671	$10,710	$160	$0	$85	$12,467	$15,412

Retired Members and Beneficiaries

Number 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	75	5	2	0	0	0	82
5-9	68	7	0	0	1	2	78
10-14	60	11	3	0	0	6	80
15-19	36	6	0	0	0	15	57
20-24	15	2	0	0	0	7	24
25-29	19	1	0	0	0	2	22
30 and Over	8	0	0	0	0	6	14
All Years	281	32	5	0	1	38	357

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	$23,600	$17,081	$138	$0	$0	$0	$22,630
5-9	13,716	11,287	0	0	85	4,878	13,097
10-14	21,563	9,383	175	0	0	27,451	19,528
15-19	12,905	10,996	0	0	0	14,213	13,048
20-24	8,122	3,456	0	0	0	7,944	7,682
25-29	3,914	2,191	0	0	0	4,310	3,871
30 and Over	3,424	0	0	0	0	3,645	3,519
Average	$16,671	$10,710	$160	$0	$85	$12,467	$15,412

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**

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 contain information about reciprocal systems. Therefore, salary information in these cases may not be accurate. This situation is relatively infrequent, however, and when it does occur, generally does 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, beginning with the June 30, 2004 valuation, all gains or losses are tracked and amortized over 30 years (changed from 10% amortization last year). 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. Beginning with the June 30, 2004 valuation a 30 year fresh start is used in this situation.

It should be noted that the actuary may choose to use a fresh start under other circumstances. In all cases, the period of the fresh start is chosen by the actuary according to his or her best judgement, and will not be less than five years nor greater than 30 years.

Only for the June 30, 2004 valuation all non-pooled employer fresh start bases from earlier years will be combined with the (gain)/loss base and amortized over 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 (changed from one-third last year) 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.

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.

Miscellaneous Loading Factors

Credit for Unused Sick Leave

Final Average Salary is increased by 1% for those agencies that have accepted 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 agencies that have contracted for 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" for these employees 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 sex. 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 and sex. 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

Rate 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.

	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.

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 PRINCIPAL PLAN PROVISIONS**

SUMMARY OF BENEFITS: COVERAGE GROUP 70001

The following is a summary of the major plan provisions used in calculating the liabilities of the plan. 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.

RETIREMENT PROGRAM

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*, where

- The *benefit factor* for this group of employees comes from the **2% at 55 Miscellaneous** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	2% at 55 Miscellaneous Factor
50	1.426%
51	1.522%
52	1.628%
53	1.742%
54	1.866%
55	2.000%
56	2.052%
57	2.104%
58	2.156%
59	2.210%
60	2.262%
61	2.314%
62	2.366%
63 & Up	2.418%

- 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. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the 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 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The employees in this group are not covered by Social Security. The final compensation is not offset by a dollar amount.

- The Service Retirement benefit is not capped.

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 working with any CalPERS employer at the time of disability in order to be eligible for this benefit.

Benefit

The 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.

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.

Post-Retirement Death Benefit

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.

Pre-Retirement Death Benefits

Basic Death 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 described below 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

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 may choose this benefit in lieu of the Basic Death benefit or the Special Death 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. There is a guarantee that the total amount paid will at least equal the Basic Death benefit.

Optional Settlement 2 Death Benefit

Eligibility

An employee's *eligible survivor* may receive the Optional Settlement 2 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 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. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the 1957 Survivor benefit.

Benefit

The Optional Settlement 2 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 2. (A retiree who elects Optional Settlement 2 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. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

Cost-of-Living Adjustments

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%. However, 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 following schedule. The employer may choose to "pick-up" these contributions for the employees.

The percent contributed below the monthly compensation breakpoint is 0%.
The monthly compensation breakpoint is $0.
The percent contributed above the monthly compensation breakpoint is 7%.

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 Fourth Level

This benefit is not included in the results presented earlier 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**

MISCELLANEOUS 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, 2006 to June 30, 2007 has been determined by an actuarial valuation of the plan as of June 30, 2004. The contribution rate for the indicated period is 9.132% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2007, 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, 2006 to June 30, 2007. The employer and the employer's auditor are responsible for determining the NPO and the APC.

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

	Retirement Program
Valuation Date	June 30, 2004
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 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 14.45% 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 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 (b)	Unfunded Liability (UL) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/02	$ 120,029,572	$ 132,552,210	$ (12,522,638)	110.4%	$ 29,909,551	(41.9%)
06/30/03	139,983,194	134,113,130	5,870,064	95.8%	31,586,061	18.6%
06/30/04	151,246,453	140,911,426	10,335,027	93.2%	34,084,963	30.3%

APPENDIX D

- **GLOSSARY OF ACTUARIAL TERMS**

Glossary of Actuarial Terms

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 funding method, 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 (or side fund) 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 liability (principal) 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, calculated in accordance with the plan assumptions.

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 the same as the date of hire.

(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 is at 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.)

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 produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level % of payroll).

Fresh Start

When multiple amortization bases are collapsed into one base and amortized over a new funding period. At CalPERS, a fresh start is used to avoid inconsistencies that would otherwise occur.

Funded Status

A measure of how well funded a plan or risk pool is. Or equivalently, how "on track" a plan or risk pool is with respect to assets vs. accrued liabilities. We calculate a funded ratio by dividing the actuarial 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.

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.

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, or does not decline.

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 or risk pool 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.

A plan or risk pool with an actuarial value of assets in excess of the accrued liability is said to have excess assets (or is overfunded) and can temporarily reduce future contributions.