



Actuarial & Employer Services Division  
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December 20, 1996

**MISCELLANEOUS PLAN FOR NEWPORT BEACH CITY, Employer Number 60**

Dear Employer,

Enclosed please find a copy of the June 30, 1995, 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 will be visiting several centralized locations around the State in the next several months to discuss the actuarial report with you. A forthcoming circular letter will announce times and places. We urge you to attend one of these sessions and to bring the report with you to the session.

Included on page 2 of the report is the funded status of your plan as of June 30, 1995. The liability shown is the Entry Age Normal Accrued Liability, based on the method used to fund your plan. The calculation of this liability is based on the participants in your plan on June 30, 1995, the assets of your plan on June 30, 1995, the actuarial assumptions adopted by the CalPERS Board for your plan, and the benefits for which you have contracted with CalPERS as of June 30, 1996. A three year historic trend of this funded status is provided on the same page for those agencies for whom the last three annual valuations have been performed.

In a letter dated September 27, 1996, you were provided an estimate of new surplus, which together with any remaining prior surplus, could be used to pay employer and/or employee contributions to CalPERS through June 30, 1997. The enclosed report establishes the finalized new surplus for fiscal 1996-97. Your actual "new" surplus for fiscal 1996-97, for the MISCELLANEOUS PLAN FOR NEWPORT BEACH CITY, is \$0.

Also included in the report is your new employer contribution rate for fiscal 1997-98. Your new rate for the MISCELLANEOUS PLAN FOR NEWPORT BEACH CITY is 7.192%. A reconciliation from your current 1996-97 rate to your new 1997-98 rate, broken down by reason for the change, is provided on page 7 of the report.

If you have questions, please call your team actuary.

Sincerely,

Ron Seeling, Chief Actuary  
Actuarial & Employer Services Division

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**Actuarial Certification**

To the best of our knowledge, this report is complete and accurate and contains sufficient information to fully and fairly disclose the funded condition of the MISCELLANEOUS PLAN FOR NEWPORT BEACH CITY, employer number 60. This valuation is based on the employee data provided, the statement of assets provided by the CalPERS Fiscal Services Division, and the benefits provided under this contract with CalPERS. It is our opinion that the valuation has been performed by qualified actuaries 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.



Ron Seeling, Ph.D., F.C.A., A.S.A., M.A.A.A.  
Enrolled Actuary  
Chief Actuary, CalPERS

**Purpose of the Report**

This actuarial valuation of the MISCELLANEOUS PLAN FOR NEWPORT BEACH CITY of the California Public Employees' Retirement System (CalPERS) was performed by CalPERS' staff actuaries as of June 30, 1995 in order to

- set forth the actuarial assets and funding liabilities of this plan as of June 30, 1995;
- establish the actuarially required contribution rates of this plan for the fiscal year July 1, 1997 through June 30, 1998; and
- provide actuarial information as of June 30, 1995 to the CalPERS Board of Administration and other interested parties.

Use of this report for other purposes, such as for disclosure under Governmental Accounting Standards Board Statement No. 5, is inappropriate.

**Employer Contribution Rate**

The actuarially required contribution, both in projected dollars and as a rate of projected payroll, for the fiscal year July 1, 1997 through June 30, 1998 are shown below:

	Expected Dollar Amount	Percent of Projected Payroll
Payment for Normal Cost	\$ 1,233,599	5.084%
Payment on the Unfunded Liability	511,323	2.107%
Payment for 1959 Survivor Benefits*	<u>0</u>	<u>0.000%</u>
Total (not less than zero)	\$ 1,744,923	7.192%

\*This is for first and second level only. The third and fourth level contributions are billed separately.

**Funded Status of the Plan**

The table below displays a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded (or Overfunded) Entry Age Normal Accrued Liability, Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of that covered payroll.

**Funded Status of the Plan**

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/93	57,519,919	59,762,915	(2,242,996)	103.9%	20,097,370	(11.2%)
6/30/94	64,587,586	65,768,228	(1,180,642)	101.8%	21,323,514	(5.5%)
6/30/95	71,184,379	70,282,872	901,507	98.7%	22,218,295	4.1%



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## Changes Since Prior Valuation

**Actuarial Assumptions** - The only changes in actuarial assumptions since the prior valuation apply to miscellaneous categories that have contracted for industrial disability benefits. Previously, the rates for such agencies included an approximation of .5% of annual payroll as the cost of this benefit. This has been changed to use two specific sets of probabilities of disability, one set for ordinary disability and one set for industrial disability. The effect of these changes on the rates is displayed on page 7 of this report. A description of the assumptions can be found in Appendix A.

**Methods** - The overall funding method, Entry Age Normal, remains unchanged since the prior valuation. However, according to state statute, the portion of surplus used as a direct offset of employer contributions has been lowered from 40% of such surplus as of the June 30, 1994 valuation to 20% of such surplus as of the June 30, 1995 valuation. This is the last time any excess assets will be transferred to surplus accounts. Commencing July 1, 1997, all surplus assets will be used to lower employer contributions through the regular amortization process. In order to accomplish this, this valuation projects the unfunded liability/(excess assets) to June 30, 1997, and amortizes the result over the plan's remaining amortization period.

**Asset Transfers** - By Board action in October, 1995, the administrative approach to PPPA was retroactively changed to a method that minimizes cross group subsidization. This required a reconstruction of PPPA for the four fiscal years 1991-92 through 1994-95. Retroactively replacing the previous administrative procedures with the new administrative procedures created asset transfers between all groups within the Public Employees' Retirement Fund as of June 30, 1995. The amount of such asset transfers and the effect of transfers on the rates are displayed on page 7 of this report.

**Benefits** - Liabilities in this report generally reflect plan changes effective on or before June 30, 1996 and so recognize all plan changes between July 1, 1995 and June 30, 1996. Please refer to Appendix B for a summary of plan provisions used in this valuation.

CALPERS ACTUARIAL VALUATION - JUNE 30, 1995  
 MISCELLANEOUS PLAN FOR NEWPORT BEACH CITY  
 EMPLOYER NUMBER 60

**Comparison of Current and Prior Year Results**

Shown below are the comparisons of key valuation results for the current valuation date compared to corresponding values from the prior valuation date.

	<u>June 30, 1994</u>	<u>June 30, 1995</u>
Members Included in the Valuation *		
Active Members	495	465
Transfers	130	121
Vested Terminations	88	104
Receiving Payments	<u>253</u>	<u>269</u>
Total	966	959
Annual Covered Payroll	\$ 21,323,514	\$ 22,218,295
Projected Annual Payroll	\$ 23,285,810	\$ 24,262,934
Average Annual Pay	\$ 43,078	\$ 47,781
Average Attained Age for Actives	40.29	41.02
Average PERS Entry Age for Actives	30.59	30.42
Present Value of Projected Benefits	\$ 90,603,300	\$ 97,808,389
Entry Age Normal Accrued Liability	\$ 64,587,586	\$ 71,184,379
Assets Values		
Cost Value	\$ 58,299,640	\$ 62,752,564
Actuarial Value	\$ 65,768,228	\$ 70,282,872
Market Value	\$ 65,563,785	\$ 74,713,375
Unfunded/(Overfunded) Liability	\$ (1,180,642)	\$ 901,507
New "Surplus" at Valuation Date	\$ 256,603	\$ 0
Prior Years' "Surplus" at Valuation Date	<u>789,828</u>	<u>314,169</u>
Total "Surplus" at Valuation Date	\$ 1,046,431	\$ 314,169
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	\$ 1,192,509	\$ 1,233,599
Payment on the Unfunded Liability **	(89,939)	511,323
Payments for Ad Hoc Colas	0	0
Payment for 1959 Survivor Benefits***	<u>0</u>	<u>0</u>
Total (not less than zero)	\$ 1,102,570	\$ 1,744,923
Employer Contribution Required (Percent of Projected Payroll)		
Payment for Normal Cost	5.121%	5.084%
Payment on the Unfunded Liability **	(0.386%)	2.107%
Payments for Ad Hoc Colas	0.000%	0.000%
Payment for 1959 Survivor Benefits***	<u>0.000%</u>	<u>0.000%</u>
Total (not less than zero)	4.735%	7.192%

\* Counts of members included in the valuation are counts of records processed by the valuation. Multiple records may exist for those who have service in more than one coverage group. This does not result in a double counting of liabilities. Counts do not include beneficiaries of 3rd or 4th level 1959 Survivor benefits.

\*\*The payment shown is the amortization of the unfunded liability due to prior service, if any, over the period ending in 2000 and unfunded liability due to current service, if any, over the period ending in 2000.

\*\*\* This is for first and second level only. The third and fourth level contributions are billed separately.

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**Development of Accrued and Unfunded Liabilities**

1. Present Value of Benefits	
a) Actives, Transfers and Vested Terminated	\$ 67,606,547
b) Receiving Payments	<u>30,201,842</u>
c) Total	\$ 97,808,389
2. Present Value of Future Employer Normal Costs	\$ 10,587,215
3. Present Value of Future Employee Contributions	<u>16,036,795</u>
4. Entry Age Normal Accrued Liability [(1c) - (2) - (3)]	\$ 71,184,379
5. Actuarial Value of Assets*	
a) Employer Reserves	\$ 53,497,759
b) Active Employee Account Balances	<u>16,785,113</u>
c) Total Valuation Assets	<u>\$ 70,282,872</u>
6. Unfunded Accrued Liability [(4) - (5)]	\$ 901,507

\* Does not include "surplus", if any, at valuation date.

**Gain/(Loss) Analysis 6/30/94 - 6/30/95**

Amounts at the Beginning of the Year	
1) Accrued Liability	\$ 64,587,586
2) Actuarial Value of Assets	<u>65,768,228</u>
3) Unfunded Liability [(1)-(2)]	(1,180,642)
4) Employer Normal Cost plus Employee Contributions	2,568,703
Amounts During the Year	
5) Employer and Employee Contributions	\$ 2,679,184
6) Benefit Payments	2,643,313
7) Refunds	218,349
Expected Amounts at the End of the Year	
8) Expected Accrued Liability [((1)+(4))*1.085-((6)+(7))*1.0425]	\$ 69,881,291
9) Expected Actuarial Value of Assets [(2)*1.085+((5)-(6)-(7))*1.0425]	<u>71,168,294</u>
10) Expected Unfunded/(Overfunded) Liability [(8)-(9)]	\$ (1,287,003)
Actual Amounts at the End of the Year (before all other changes)*	
11) Actual Accrued Liability	\$ 71,404,666
12) Actual Actuarial Value of Assets**	<u>71,233,477</u>
13) Actual Unfunded/(Overfunded) Liability [(11)-(12)]	\$ 171,189
Gain/(Loss) for the Year	
14) Liability Gain/(Loss) [(8)-(11)]	\$ (1,523,375)
15) Asset Gain/(Loss) *** [(12)-(9)]	<u>65,183</u>
16) Total Gain/(Loss) [(14)+(15)]	\$ (1,458,192)

\* All gains and losses are determined on prior year's assumptions, plan provisions and methods.

\*\* This asset amount does not include "surplus", if any, at valuation date. Further, it is based on the prior year's rule of transferring 40% of excess assets, if any, to new surplus and is prior to PPPA reversion and all other changes. For these reasons, this asset amount does not agree with other asset amounts shown in this report.

\*\*\* Amounts transferred to "new surplus" as of June 30, 1995 are treated as "asset losses" in this analysis.



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### Reconciliation of Employer Contribution Rates

1) Calculated Contribution Rate for 7/1/96 - 6/30/97 <sup>1</sup>	4.735%
2) Effect of changes since the prior valuation	
a) Effect of changes in demographics and financial results	1.475%
b) Effect of plan amendments between 6/30/95 and 6/30/96 <sup>2</sup>	0.000%
c) Effect of changes in actuarial assumptions	0.000%
d) Effect of PPPA reversion <sup>3</sup>	(0.219%)
e) Effect of the phasing-out of surplus (40% to 20%)	0.000%
f) Effect of projecting the unfunded and/or surplus to 6/30/97	<u>1.200%</u>
g) Net effect of the changes above	2.456%
[Sum of (a) through (f)]	
3) Contribution Rate for 7/1/97 - 6/30/98	7.192%
[(1)+(2g)]	

### Reconciliation of Estimated Employer Contributions

(Based on projected annual payroll)

1) Contribution Required for 7/1/96-6/30/97 <sup>1</sup>	\$ 1,102,570
2) Effect of changes since the prior valuation	
a) Effect of change in payroll	\$ 46,266
b) Effect of changes in demographics and financial results	357,878
c) Effect of plan amendments between 6/30/95 and 6/30/96 <sup>2</sup>	0
d) Effect of changes in actuarial assumptions	0
e) Effect of PPPA reversion <sup>3</sup>	(53,136)
f) Effect of the phasing-out of surplus as a direct offset	0
g) Effect of projecting the unfunded and/or surplus to 6/30/97	<u>291,155</u>
h) Net effect of the changes above	\$ 642,164
[Sum of (a) through (g)]	
3) Estimated Contribution Required for 7/1/97 - 6/30/98	\$ 1,744,923
[(1)+2(h)]	

<sup>1</sup> The rate actually paid may be different if a prepayment of unfunded actuarial liability or a funding extension is made.

<sup>2</sup> A change from 1st or 2nd level 1959 Survivor benefits to 3rd or 4th level may result in a decrease in rates because contributions for the 3rd and 4th level 1959 Survivor benefits are collected separately from employer rates.

<sup>3</sup> See the discussion on page 3 regarding the Board's retroactive action on PPPA. See page 10 for the dollar amount transferred from or to this plan's assets as a result of this Board action.



CALPERS ACTUARIAL VALUATION - JUNE 30, 1995  
 MISCELLANEOUS PLAN FOR NEWPORT BEACH CITY  
 EMPLOYER NUMBER 60

Development of the Actuarial Value of Assets  
 for the Public Employees' Retirement Fund  
 (in Millions)

	As of 6/30/87	As of 6/30/88	As of 6/30/89	As of 6/30/90	As of 6/30/91	As of 6/30/92	As of 6/30/93	As of 6/30/94	As of 6/30/95
1. Market Value of Assets	\$ 44,027	\$ 45,470	\$ 52,320	\$ 58,020	\$ 61,278	\$ 67,489	\$ 76,116	\$ 76,646	\$ 89,241
2. Book Value of Assets	35,173	40,208	44,630	51,584	55,272	59,827	64,014	68,154	74,937
3. Cumulative Unrealized Gain/(Loss) as of the current June 30 [(1) - (2)]	\$ 8,854	\$ 5,262	\$ 7,690	\$ 6,436	\$ 6,006	\$ 7,662	\$ 12,102	\$ 8,492	\$ 14,304
4. Cumulative Unrealized Gain/(Loss) as of the prior 6/30	7,315	8,854	5,262	7,690	6,436	6,006	7,662	12,102	8,492
5. Unrealized Gain/(Loss) for the prior fiscal year [(3) - (4)]	\$ 1,539	\$ (3,592)	\$ 2,428	\$ (1,254)	\$ (430)	\$ 1,656	\$ 4,440	\$ (3,610)	\$ 5,812
6. Realized Gain/(Loss) for the prior fiscal year	995	1,391	1,420	2,561	713	1,923	1,550	1,389	2,942
7. Total Gain/(Loss) for the prior fiscal year [(5) + (6)]	\$ 2,534	\$ (2,201)	\$ 3,848	\$ 1,307	\$ 283	\$ 3,579	\$ 5,990	\$ (2,221)	\$ 8,754
8. Market Value as of the prior 6/30	\$ 37,742	\$ 44,027	\$ 45,470	\$ 52,320	\$ 58,020	\$ 61,278	\$ 67,489	\$ 76,116	\$ 76,646
9. Total Gain/(Loss) for the prior year as a percent of the Market Value [(7)/(8)]	6.71%	-5.00%	8.46%	2.50%	0.49%	5.84%	8.88%	-2.92%	11.42%
0. Cumulative Gains/(Losses) deferred into the future *	\$ 4,296	\$ 336	\$ 2,433	\$ 1,178	\$ 142	\$ 1,875	\$ 3,603	\$ (239)	\$ 5,288
1. Actuarial Value of Assets [(1) - (10)]**	\$ 39,731	\$ 45,134	\$ 49,887	\$ 56,842	\$ 61,137	\$ 65,614	\$ 72,513	\$ 76,885	\$ 83,953

\* See Chart on the following page for the development of the amount of gains/(losses) deferred into the future at each valuation date.

\*\* To determine the actuarial value of assets for each plan, the ratio of actuarial value to market value for the PERF (ratio of actuarial value to book value for years before 1995) is applied to the market value of each plan's assets.

CALPERS ACTUARIAL VALUATION - JUNE 30, 1995  
 MISCELLANEOUS PLAN FOR NEWPORT BEACH CITY  
 EMPLOYER NUMBER 60

**Development of the Actuarial Value of Assets  
 for the Public Employees' Retirement Fund**  
 Determination of Amounts of Gain/(Loss) to be Deferred as of Each Valuation Date  
 (in Millions)

Fiscal Year of Gain/(Loss)	Gain/(Loss)		Portion of Gain/(Loss) Spread Over					Amounts Deferred as of							
	Total Gain/(Loss)	as % of Market Value	Two Years	Three Years	Four Years	Five Years	6/30/87	6/30/88	6/30/89	6/30/90	6/30/91	6/30/92	6/30/93	6/30/94	6/30/95
1984-85	4,833	24.30%	994	994	994	1,850	989	370	0	0	0	0	0	0	0
1985-86	5,525	19.32%	1,430	1,430	1,430	1,234	1,932	851	247	0	0	0	0	0	0
1986-87	2,534	6.71%	1,887	647	0	0	1,375	216	0	0	0	0	0	0	0
1987-88	(2,201)	-5.00%	(2,201)	0	0	0	N/A	(1,101)	0	0	0	0	0	0	0
1988-89	3,848	8.46%	2,274	1,575	0	0	N/A	N/A	2,186	525	0	0	0	0	0
1989-90	1,307	2.50%	1,307	0	0	0	N/A	N/A	N/A	654	0	0	0	0	0
1990-91	283	0.49%	283	0	0	0	N/A	N/A	N/A	N/A	142	0	0	0	0
1991-92	3,579	5.84%	3,064	515	0	0	N/A	N/A	N/A	N/A	N/A	1,875	172	0	0
1992-93	5,990	8.88%	3,374	2,616	0	0	N/A	N/A	N/A	N/A	N/A	N/A	3,431	872	0
1993-94	(2,221)	-2.92%	(2,221)	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(1,111)	0
1994-95	8,754	11.42%	3,832	3,832	1,089	0	4,296	336	2,433	1,178	142	1,875	3,603	(239)	5,288
															5,288



**Reconciliation of the Actuarial Value of Assets Over the Prior Fiscal Year**

1) Beginning Balance 6/30/94	\$ 65,768,228
2) Contributions (Employer and Employee)*	2,679,184
3) Benefit Payments	2,643,313
4) Refunds	218,349
5) Actuarial Value of Amount Transferred to Employer Surplus Asset Account	0
6) Investment Earnings Credited	4,479,900
7) Assets transferred to/(from) the plan due to the retroactive PPPA reversion	<u>217,222</u>
8) Ending Balance 6/30/95 [(1)+(2)-(3)-(4)-(5)+(6)+(7)]	\$ 70,282,872

\* In accordance with Generally Accepted Accounting Principles (GAAP), the CalPERS Fiscal Services Division's accounting records include accounts receivable to recognize income that is measurable and due. When CalPERS receives payroll information, it determines the amount receivable for employer and employee contributions. Thus, CalPERS accounts receivable reflect contributions due, even if not paid.

Numbers may not add due to rounding.

### Final Compensation

Final compensation is the average monthly pay during the last 12 consecutive months of work or another period of 12 consecutive months selected by the member if the average pay rate was higher.

### Service Retirement

The basic formula for computing the service retirement allowance is the product of years of PERS credited service, the benefit percent per year of service, and final compensation.

This group is covered under the 2.00% at 60 Formula. The benefit percent per year of service is:

Retirement Age	Percent Per Year
50	1.092
51	1.156
52	1.224
53	1.296
54	1.376
55	1.460
56	1.552
57	1.650
58	1.758
59	1.874
60	2.000
61	2.134
62	2.272
63 and over	2.418

### Regular Ordinary Disability

Ordinary disability for retirement purposes, is defined as the inability of the member to perform his job because of an illness or injury which is expected to be permanent or last indefinitely. The illness or injury does not have to be job related. Five years of credited service with PERS is necessary to be eligible for this benefit.

The ordinary disability benefit is a percentage of final compensation. The benefit is 1.8% times the number of years determined as follows:

1. PERS credited service for members with 5 years but less than 10 years of service.
2. PERS credited service plus number of years the member would have worked until age 60 for members with 10 years but less than 18 1/2 years of service. The maximum benefit in this case is 33 1/3%
3. PERS credited service for those with 18 1/2 or more years of service.

### 1957 Survivor Benefit

The 1957 Survivor Benefit provides a monthly allowance equal to one-half of what a member's unmodified retirement allowance would have been had he retired for service on the date of his death. The beneficiaries eligible to receive this allowance are the surviving spouse to whom the member was married at least one year before death, or if there is no qualified spouse, the member's unmarried children until the youngest reaches age 18. The benefit is payable only so long as the surviving spouse lives or until remarriage. Upon death or remarriage of the spouse, the benefit will be continued to natural or adopted unmarried children under age 18. There is a guarantee that should an eligible survivor choose this benefit rather than the basic death benefit, the amount payable will be at least equal to the amount of the basic death benefit.

### Third Level of 1959 Survivor Benefit

For members who elected this coverage or were covered manditorily, one of the following monthly allowances may be paid upon death prior to retirement:

\$840 to a surviving spouse, until remarriage, who has care of two or more eligible children.

\$840 if three eligible children only

\$700 to an eligible surviving spouse with one eligible child

\$700 if two eligible children only

\$350 if one eligible child only

\$350 to an unmarried surviving spouse at age 62 or older

\$350 each to dependent parents if there are none of the above

### Basic Death Benefit before Retirement

The basic death benefit provides for return of member contributions with interest, plus one month's salary rate for each year of current service to a maximum benefit of six months' salary. This amount is based upon the member's average monthly salary rate during the 12 months preceding death.

### Basic Death Benefit after Retirement

\$500 lump-sum to a designated beneficiary.

### Sick Leave Credit

Unused accumulated sick leave at time of retirement, for which there is no compensation or remuneration at all to the employee, will be converted to additional service credit at the rate of 0.004 years for each day (250 days of sick leave for one additional year of service credit). This benefit also applies to retirees who retired after January 1, 1974, and the increase will apply to any retirement

allowance paid after the effective date of this benefit in your contract.

#### **Military Service Credit**

Members may purchase up to four years of service credit for any continuous active military or merchant marine service. The member must contribute an amount equal to the contribution the employee and employer would have made with respect to that period of service. However, if this benefit was added prior to January 1, 1977, no member payment is necessary under some situations.

The member's payment is calculated by PERS based upon the employer's contribution rate at the time of the member's election and the member's compensation and contribution rate at the first period of service with the employer after the military service. Interest at the crediting interest rate based on both employer and employee contribution will be calculated from the date of membership with current employer to date of member's election and included in the member costs.

The member is allowed up to 96 monthly payments to purchase the service prior to retirement. This benefit applies only to active members while in employment with an employer providing this benefit in its contract.

#### **Post-Retirement Adjustment**

2.00% annual cost-of-living allowance increase. This allows retired members an annual 2.00% maximum cost-of-living allowance increase. (Should the CPI factor increase less than 2.00% the individual's allowance would be increased by the lesser percentage.) This benefit applies to both current and future retirees.

#### **Termination of Service**

Upon termination of PERS covered employment, a member may receive a refund of his contributions. (There is an exception to this if employment is accepted under a reciprocal retirement system.) Members who have PERS credited service may choose not to withdraw their contributions upon separation from employment. Such members may either request a refund at a later date or apply for a service retirement after they reach the minimum retirement age. Members who withdraw their contributions lose their service credit for those years. Upon reemployment, this service credit can be restored by re-deposit of these contributions plus interest.

#### **Optional Settlements**

At retirement, a member may elect to take a smaller allowance and provide some security for his family or other beneficiary. A beneficiary under the optional settlements does not necessarily need to be a family member.

##### **Option #1**

Under this option a slight reduction in the member's retirement allowance is made in return for which the surviving beneficiary will receive whatever is left of the member's contributions at the time of death.

##### **Option #2**

This option requires the largest reduction in a member's allowance. In return, when the member dies, his surviving beneficiary will receive the same allowance as the member was getting.

**Option #3**

This results in a lesser reduction than Option #2, but it provides less for the beneficiary. The payment to the beneficiary will be one-half of the member's allowance.

**Option #4**

This option can be tailor made to fit the member's special needs. This option allows a member to specify the amount that will be left to his beneficiary.

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ATTACHMENT I  
FUNDING STATUS AND PROGRESS

NEWPORT BEACH CITY OF  
EMPLOYER NUMBER 0060

THE TOTAL UNFUNDED PENSION BENEFIT OBLIGATION APPLICABLE TO THE  
EMPLOYEES WAS \$ -8,833,051 AT JUNE 30, 1995 AS FOLLOWS :

PENSION BENEFIT OBLIGATION:

RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS AND TERMINATED EMPLOYEES NOT YET RECEIVING BENEFITS	\$	70,272,872
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CURRENT EMPLOYEES:

ACCUMULATED EMPLOYEE CONTRIBUTIONS INCLUDING ALLOCATED INVESTMENT EARNINGS	\$	38,964,605
EMPLOYER-FINANCED VESTED	\$	45,180,377
EMPLOYER-FINANCED NON VESTED	\$	1,055,652
TOTAL PENSION BENEFIT OBLIGATION	\$	155,473,506
ACTUARIAL VALUE OF ASSETS * (MARKET VALUE = \$ 174,657,871 )	\$	164,306,557
UNFUNDED PENSION BENEFIT OBLIGATION	\$	-8,833,051

CHANGES IN THE PENSION BENEFIT OBLIGATION SINCE LAST YEAR  
DUE TO:

CHANGES IN BENEFIT PROVISIONS	\$	N/A
CHANGES IN ACTUARIAL METHODS AND ASSUMPTIONS	\$	N/A

THE DISCLOSURE STATEMENT ALSO REQUIRES THAT THE SIGNIFICANT ACTUARIAL  
ASSUMPTIONS USED TO CALCULATE THE ABOVE PENSION BENEFIT OBLIGATION BE  
INCLUDED UNDER THIS DISCLOSURE SECTION.

THE ACTUARIALY ASSUMED INVESTMENT RETURN IS 8.50 % PER ANNUM . THE  
SALARY SCALE USED ASSUMES SALARY INCREASES THAT VARY BY LENGTH OF  
SERVICE. THE TOTAL INCREASE IN ANY FUTURE YEAR INCLUDES AN ASSUMED  
4.5 % INFLATION RATE , A 0.0 % ACROSS THE BOARD INCREASE AND MERIT  
INCREASES THAT VARY BY LENGTH OF SERVICE.

\* INCLUDES EMPLOYER SURPLUS AS OF JUNE 30, 1995

1996/10/11

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ATTACHMENT II  
CONTRIBUTION RATES FOR CALCULATING REQUIRED CONTRIBUTIONS

NEWPORT BEACH CITY OF  
EMPLOYER NUMBER 0060

1. ANNUAL RATE COMPONENTS	MISCELLANEOUS CATEGORY	SAFETY CATEGORY	EFFECTIVE DATE
A. NORMAL COST RATE	6.260%	11.165%	
B. UNFUNDED LIABILITY RATE	-1.159%	-2.346%	
C. TOTAL REQUIRED	5.101%	8.819%	07/01/95

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ATTACHMENT III

NEWPORT BEACH CITY OF  
EMPLOYER NUMBER 0060  
REQUIRED SUPPLEMENTARY INFORMATION  
ANALYSIS OF FUNDING PROGRESS  
(IN MILLIONS)

FISCAL YEAR ENDING JUNE 30	(1) NET ASSETS AVAILABLE FOR BENEFITS	(2) PENSION BENEFIT OBLIGATION	(3) PERCENTAGE FUNDED (1)/(2)	(4) UNFUNDED PENSION BENEFIT OBLIGATION (2)-(1)	(5) ESTIMATED ANNUAL COVERED PAYROLL FOR THE SUCCEEDING FISCAL YEAR	(6) UNFUNDED PENSION BENEFIT OBLIGATION AS A PERCENTAGE OF COVERED PAYR (4)/(5)
1987	\$ 66.9	\$ 68.2	98.0%	\$ 1.3	\$ 23.3	5.8 %
1988	76.1	75.3	101.0	-0.8	24.4	-3.2
1989	85.5	82.4	103.8	-3.2	27.0	-11.7
1990	95.1	96.3	98.7	1.2	28.7	4.4
1991	104.0	105.0	99.0	1.0	31.4	3.2
1992	114.8	118.0	97.2	3.2	34.1	9.6
1993	126.8	121.3	104.5	-5.5	34.9	-15.7
1994	154.8	132.9	116.5	-22.0	36.9	-59.4
1995	164.3	155.4	105.7	-8.9	38.7	-22.8

1996/11/01

\* PRIOR TO 1994, ASSETS WERE SHOWN AT BOOK VALUE. BEGINNING 1994, THE ASSETS ARE SHOWN AT ACTUARIAL VALUE (SMOOTHED MARKET VALUE).