



Actuarial & Employer Services Division
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April 6, 1998

SAFETY PLAN OF THE CITY OF NEWPORT BEACH

Dear Employer,

Enclosed please find a copy of the June 30, 1996, 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.

Included on page 2 of the report is the funded status of your plan as of June 30, 1996. 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, 1996, the assets of your plan on June 30, 1996, 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, 1997. 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.

Amounts remaining in your surplus account, if any, as of June 30, 1996, were projected to June 30, 1997, and unused amounts were taken into account in setting your new contribution rate for the fiscal year July 1, 1998 through June 30, 1999. Your new rate for the SAFETY PLAN is 13.574%. A reconciliation from your current 1997-98 rate to your new 1998-99 rate, broken down by reason for the change, is provided on page 8 of the report.

Also, please note that Governmental Accounting Standards Board (GASB) Statement Number 27 entitled "Accounting for Pensions by State and Local Governmental Employers" will apply to you beginning with the July 1, 1997 through June 30, 1998 fiscal year. CalPERS will issue a comprehensive Circular Letter in the third quarter of fiscal 97-98 to provide guidance with regard to this new accounting standard. You should be aware that items in this and the previous valuation reports will be needed in the preparation of disclosures and accounting information required by GASB 27.

If you have questions, please call your assigned actuary.

Sincerely,

Ron Seeling, Chief Actuary
Actuarial & Employer Services Division

Newport Beach	Dan (949) 644-3126
Misc: * 918,226	881,525
Safety: <u>2,498,078.</u>	<u>2,398,232</u>
3,416,304.	3,279,757.
$\Delta = 136,547$	

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ACTUARIAL VALUATION
AS OF JUNE 30, 1996

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

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
JULY 1, 1998 - JUNE 30, 1999



California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(916) 326-3420



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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 SAFETY PLAN OF THE CITY OF NEWPORT BEACH. 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.

Kung-Pei Hwang A.S.A., M.A.A.A.
Senior Pension Actuary, CalPERS

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 SAFETY PLAN OF THE CITY OF NEWPORT BEACH of the California Public Employees' Retirement System (CalPERS) was performed by CalPERS' staff actuaries as of June 30, 1996 in order to:

- set forth the actuarial assets and funding liabilities of this plan as of June 30, 1996;
- establish the actuarially required contribution rates of this plan for the fiscal year July 1, 1998 through June 30, 1999; and
- provide actuarial information as of June 30, 1996 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.

Numbers in exhibits may not add due to rounding.

Employer Contribution Rate

The actuarially required contribution, both in projected dollars and as a rate of projected payroll, for the fiscal year July 1, 1998 through June 30, 1999 are shown below:

	Expected Dollar Amount	Percent of Projected Payroll
Payment for Normal Cost	\$ 2,194,563	11.925%
Payment on Amortization Bases	303,515	1.649%
Payment for 1959 Survivor Benefit Program*	<u>0</u>	<u>0.000%</u>
Total (not less than zero)	\$ 2,498,078	13.574%

*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 Liability or (Excess Assets), 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. For those plans that include 1st or 2nd level 1959 Survivor Benefit, the liabilities and assets below include the assets and liabilities for current beneficiaries of your 1959 Survivor Benefit program. For all other plans, the assets and liabilities below are without regard to the 1959 Survivor Benefit program.

Funded Status of the Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/94	\$ 83,557,705	\$ 84,464,574	\$ (906,869)	101.1%	\$ 14,969,939	(6.058%)
6/30/95	97,460,338	91,665,046	5,795,292	94.1%	16,423,129	35.287%
6/30/96	108,703,698	103,757,452	4,946,246	95.4%	16,126,534	30.671%



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Changes Since Prior Valuation

Actuarial Assumptions - There were no changes in actuarial assumptions since the prior year's actuarial valuation.

Methods - The overall funding method for pension benefits, Entry Age Normal, remains unchanged since the prior valuation. However, several minor changes in funding methods have been made since the prior valuation. These changes are:

- The funding method for the 1959 Survivor Benefit program has been changed to a modified Term Insurance method. This change affects the rates established in this report only for those plans with members covered by the 1st or 2nd level of the 1959 Survivor Benefit program.
- According to State statute, the portion of surplus used as a direct offset of employer contributions has been lowered from 20% of such surplus as of the prior valuation to 0% of such surplus as of the current valuation. **Commencing July 1, 1997, all surplus assets are used to lower employer contributions through the regular amortization process.** This valuation projects the unfunded liability/(excess assets) to June 30, 1998, and amortizes the result over the plan's remaining amortization period.
- The CalPERS Board has adopted new policies regarding the amortization of the unfunded liability/(excess assets). The first phase of this new policy is implemented in this valuation. That first step is to combine the prior service unfunded liability and the current service unfunded liability into a single initial unfunded liability and to establish a single funding horizon for this initial unfunded liability. The new single funding horizon for your plan is June 30, 2016.

The effect of each of these changes on the contribution rate is shown on page 8 of this report.

New Actuarial Valuation System - Since the prior year's actuarial valuation, a new actuarial valuation system has been installed. The new valuation system enhances the accuracy of the calculation of the liabilities and provides more consistency in the application of actuarial principles. The changes in the 1998-99 rate due to the differences between the old and new actuarial valuation software are shown on page 8 of this report.

Benefits - Liabilities in this report generally reflect plan changes effective on or before June 30, 1997 and so recognize all plan changes between July 1, 1996 and June 30, 1997. Please refer to Appendix B for a summary of plan provisions used in this valuation.

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.

General Information	<u>June 30, 1995</u>	<u>June 30, 1996</u>
Members Included in the Valuation *		
Active Members	239	233
Transfers	45	45
Vested Terminations	30	33
Receiving Payments	<u>154</u>	<u>156</u>
Total	468	467
 Annual Covered Payroll	 \$ 16,423,129	 \$ 16,126,534
Projected Annual Payroll	\$ 17,934,467	\$ 18,403,055
Average Annual Pay	\$ 68,716	\$ 69,213
Average Attained Age for Actives	41.00	41.43
Average Entry Age for Actives (into CalPERS for 1995, into Rate Plan for 1996)	24.75	26.01
Total Assets at Market Value	\$ 97,443,442	\$ 111,423,381
 1959 Survivor Benefit Program (1st or 2nd level)		
Present Value of Benefits for Current Beneficiaries	\$ 0	\$ 0
Actuarial Value of Assets	<u>302,901</u>	<u>0</u>
Unfunded Liability/(Excess Assets)	\$ 0	\$ 0
 Retirement Program		
Present Value of Projected Benefits	\$ 123,467,165	\$ 142,802,153
Entry Age Normal Accrued Liability	\$ 97,460,338	\$ 108,703,698
Actuarial Value of Assets	<u>91,362,145</u>	<u>103,757,452</u>
Unfunded Liability/(Excess Assets)	\$ 5,795,292	\$ 4,946,246
 New "Surplus" at Valuation Date	 \$ 0	 \$ 0
Prior Years' "Surplus" at Valuation Date	<u>626,429</u>	<u>82,466</u>
Total "Surplus" at Valuation Date	\$ 626,429	\$ 82,466
 Required Contributions		
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	\$ 2,094,038	\$ 2,194,563
Payment on Amortization Bases **	2,016,230	303,515
Payment for 1959 Survivor Benefit Program***	<u>0</u>	<u>0</u>
Total (not less than zero)	\$ 4,110,268	\$ 2,498,078
 Employer Contribution Required (Percent of Projected Payroll)		
Payment for Normal Cost	11.676%	11.925%
Payment on the Amortization Bases **	11.242%	1.649%
Payment for 1959 Survivor Benefit Program***	<u>0.000%</u>	<u>0.000%</u>
Total (not less than zero)	22.918%	13.574%

* 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 Benefit.

** Details regarding this payment can be found on Page 7.

*** 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 for the Retirement Program

1. Present Value of Benefits	
a) Actives, Transfers and Vested Terminated	\$ 101,590,079
b) Receiving Payments	<u>41,212,074</u>
c) Total	\$ 142,802,153
2. Present Value of Future Employer Normal Costs	\$ 19,387,017
3. Present Value of Future Employee Contributions	<u>14,711,438</u>
4. Entry Age Normal Accrued Liability [(1c) - (2) - (3)]	\$ 108,703,698
5. Actuarial Value of Assets*	
a) Employer Reserves	\$ 79,728,652
b) Active Employee Account Balances	<u>24,028,800</u>
c) Total Valuation Assets	\$ 103,757,452
6. Unfunded Accrued Liability/(Excess Assets) [(4) - (5c)]	\$ 4,946,246

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

Gain/(Loss) Analysis 6/30/95 - 6/30/96 for the Retirement Program

Amounts at the Beginning of the Year	
1) Accrued Liability	\$ 97,460,338
2) Actuarial Value of Assets	<u>91,362,145</u>
3) Unfunded Liability/(Excess Assets) [(1)-(2)]	\$ 5,795,292
4) Employer Normal Cost plus Actual Employee Contributions	\$ 3,454,338
Amounts Paid During the Year	
5) Employer and Employee Contributions	\$ 3,023,086
6) Benefit Payments	3,201,197
7) Refunds	44,955
Expected Amounts at the End of the Year	
8) Expected Accrued Liability	
$[(1)+(4)]*1.085 - [(6)+(7)]*1.0425$	\$ 106,108,310
9) Expected Actuarial Value of Assets	
$[(2)*1.085 + ((5)-(6)-(7))*1.0425]$	<u>98,895,381</u>
10) Expected Unfunded Liability/(Excess Assets)	
$[(8)-(9)]$	\$ 7,212,928
Actual Amounts at the End of the Year (before all other changes)*	
11) Actual Accrued Liability	\$ 107,597,568
12) Actual Actuarial Value of Assets**	<u>103,757,453</u>
13) Actual Unfunded Liability/(Excess Assets)	\$ 3,840,115
$[(11)-(12)]$	
Gain/(Loss) for the Year	
14) Liability Gain/(Loss)	
$[(8)-(11)]$	\$ (1,489,258)
15) Asset Gain/(Loss)	
$[(12)-(9)]$	<u>4,862,072</u>
16) Total Gain/(Loss)	
$[(14)+(15)]$	\$ 3,372,813

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

** This asset amount does not include "surplus", if any, at the valuation date. Further, it is based on the prior year's rule of transferring 20% of excess assets, if any, to new surplus. For these reasons, this asset amount does not agree with other asset amounts shown in this report.

Schedule of Amortization Bases for the Retirement Program

		<u>Amounts for Fiscal 1998 - 1999</u>		
<u>Reason for Base</u>	<u>Date Established</u>	<u>Initial Amount</u>	<u>Date of First Payment</u>	<u>Date of Final Payment</u>
Initial Unfunded	6/30/1996	\$4,946,246	7/1/1998	6/30/2016
			<u>Amount as of Date of First Payment</u>	<u>Unpaid Balance at Beginning of Fiscal Year</u>
			\$3,884,091	\$3,884,091
				<u>Scheduled Payment for the Fiscal Year</u>
				\$303,515



Reconciliation of Employer Contribution Rates

1) Calculated Contribution Rate for 7/1/97 - 6/30/98*	22.918%
2) Effect of changes since the prior valuation	
a) Effect of changes in 1959 Survivor Benefit program**	0.000%
b) Effect of changes in demographics and financial results	(10.782%)
c) Effect of plan amendments between 6/30/96 and 6/30/97	0.000%
d) Effect of change to new amortization method	1.390%
e) Effect of changes in actuarial assumptions	0.000%
f) Effect of the phasing-out of surplus (20% to 0%)	0.000%
g) Effect of new actuarial valuation system enhancements	<u>0.048%</u>
h) Net effect of the changes above [Sum of (a) through (g)]	(9.344%)
3) Contribution Rate for 7/1/98 - 6/30/99 [(1)+(2h)]	13.574%

Reconciliation of Estimated Employer Contributions

(Based on projected annual payroll)

1) Contribution Required for 7/1/97-6/30/98*	\$ 4,110,268
2) Effect of changes since the prior valuation	
a) Effect of change in payroll	\$ 107,392
b) Effect of changes in 1959 Survivor Benefit program**	0
c) Effect of changes in demographics and financial results	(1,984,217)
d) Effect of plan amendments between 6/30/96 and 6/30/97	0
e) Effect of change to new amortization method	255,802
f) Effect of changes in actuarial assumptions	0
g) Effect of the phasing-out of surplus (20% to 0%)	0
h) Effect of new actuarial valuation system enhancements	<u>8,833</u>
i) Net effect of the changes above [Sum of (a) through (h)]	\$ (1,612,189)
3) Estimated Contribution Required for 7/1/98 - 6/30/99 [(1)+2(i)]	\$ 2,498,078

* The contribution actually paid may be different if a prepayment of unfunded actuarial liability is made or a funding extension is granted.

**Contributions for the 3rd and 4th level of the 1959 Survivor Benefit program are billed separately. Therefore, for agencies that changed from 1st or 2nd level to 3rd or 4th level, the display above will show a change to a zero rate for the 1959 Survivor Benefit program.

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

	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	As of 6/30/96
1. Market Value of Assets	\$ 45,470	\$ 52,320	\$ 58,020	\$ 61,278	\$ 67,489	\$ 76,116	\$ 76,646	\$ 89,241	\$ 101,471
2. Book Value of Assets	<u>40,208</u>	<u>44,630</u>	<u>51,584</u>	<u>55,272</u>	<u>59,827</u>	<u>64,014</u>	<u>68,154</u>	<u>74,937</u>	<u>79,991</u>
3. Cumulative Unrealized Gain/(Loss) as of the current June 30 [(1) - (2)]	\$ 5,262	\$ 7,690	\$ 6,436	\$ 6,006	\$ 7,662	\$ 12,102	\$ 8,492	\$ 14,304	\$ 21,480
4. Cumulative Unrealized Gain/(Loss) as of the prior 6/30	<u>8,854</u>	<u>5,262</u>	<u>7,690</u>	<u>6,436</u>	<u>6,006</u>	<u>7,662</u>	<u>12,102</u>	<u>8,492</u>	<u>14,304</u>
5. Unrealized Gain/(Loss) for the prior fiscal year [(3) - (4)]	\$ (3,592)	\$ 2,428	\$ (1,254)	\$ (430)	\$ 1,656	\$ 4,440	\$ (3,610)	\$ 5,812	\$ 7,176
6. Realized Gain/(Loss) for the prior fiscal year	<u>1,391</u>	<u>1,420</u>	<u>2,561</u>	<u>713</u>	<u>1,923</u>	<u>1,550</u>	<u>1,389</u>	<u>2,942</u>	<u>1,680</u>
7. Total Gain/(Loss) for the prior fiscal year [(5) + (6)]	\$ (2,201)	\$ 3,848	\$ 1,307	\$ 283	\$ 3,579	\$ 5,990	\$ (2,221)	\$ 8,754	\$ 8,856
8. Market Value as of the prior June 30 ^h	\$ 44,027	\$ 45,470	\$ 52,320	\$ 58,020	\$ 61,278	\$ 67,489	\$ 76,116	\$ 76,646	\$ 89,241
9. Total Gain/(Loss) for the prior year as a percent of the Market Value [(7)/(8)]	(5.00)%	8.46%	2.50%	0.49%	5.84%	8.88%	(2.92)%	11.42%	9.92%
10. Cumulative Gains/(Losses) deferred into the future*	\$ 336	\$ 2,433	\$ 1,178	\$ 142	\$ 1,875	\$ 3,603	\$ (239)	\$ 5,288	\$ 6,982
11. Actuarial Value of Assets [(1) - (10)]**	\$ 45,134	\$ 49,887	\$ 56,842	\$ 61,137	\$ 65,614	\$ 72,513	\$ 76,885	\$ 83,953	\$ 94,489

* 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, 1996
 SAFETY PLAN OF THE CITY OF NEWPORT BEACH
 EMPLOYER NUMBER 60

**Determination of Amounts of Gain/(Loss) to be Deferred as of Each Valuation Date
 (in Millions)**

Fiscal Year of Gain/(Loss)	Total Gain (Loss)	Gain/(Loss) as % of Market Value	Portion of Gain/(Loss) Spread Over				Amounts Deferred as of									
			Two Years	Three Years	Four Years	Five Years	6/30/89	6/30/90	6/30/91	6/30/92	6/30/93	6/30/94	6/30/95	6/30/96		
			Years	Years	Years	Years										
1984-85	4,833	24.30%	994	994	994	1,850	0	0	0	0	0	0	0	0	0	0
1985-86	5,525	19.32%	1,430	1,430	1,430	1,234	247	0	0	0	0	0	0	0	0	0
1986-87	2,534	6.71%	1,887	647	0	0	0	0	0	0	0	0	0	0	0	0
1987-88	(2,201)	(5.00%)	(2,201)	0	0	0	0	0	0	0	0	0	0	0	0	0
1988-89	3,848	8.46%	2,274	1,575	0	0	2,186	0	525	0	0	0	0	0	0	0
1989-90	1,307	2.50%	1,307	0	0	0	N/A	654	0	0	0	0	0	0	0	0
1990-91	283	0.49%	283	0	0	0	N/A	N/A	142	0	0	0	0	0	0	0
1991-92	3,579	5.84%	3,064	515	0	0	N/A	N/A	N/A	1,875	172	0	0	0	0	0
1992-93	5,990	8.88%	3,374	2,616	0	0	N/A	N/A	N/A	N/A	3,431	872	0	0	0	0
1993-94	(2,221)	(2.92%)	(2,221)	0	0	0	N/A	N/A	N/A	N/A	N/A	(1,111)	0	0	0	0
1994-95	8,754	11.42%	3,832	3,832	1,089	0	N/A	N/A	N/A	N/A	N/A	N/A	5,288	1,822	0	0
1995-96	8,856	9.92%	4,462	4,394	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,160	0	0
							2,433	1,178	142	1,875	3,603	(239)	5,288	6,982		



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

	<u>Retirement Program</u>	
1) Beginning Balance 6/30/95		\$ 91,362,145
2) Employer Contributions*		1,486,321
3) Employee Contributions*		1,536,765
4) Benefit Payments		3,201,197
5) Refunds		44,955
6) Investment Earnings Credited		<u>12,618,373</u>
7) Ending Balance 6/30/96		\$ 103,757,452
[(1)+(2)+(3)-(4)-(5)+(6)]		

1959 Survivor Benefit Program (1st or 2nd Level)

1) Beginning Balance 6/30/95	\$ 302,901
2) Contributions (Employer and Employee)*	5,602
3) Benefit Payments	2,160
4) Transfers to the 3 rd or 4 th Level Pool	350,783
5) Investment Earnings Credited	<u>44,440</u>
6) Ending Balance 6/30/96	\$ 0
[(1)+(2)-(3)-(4)+(5)]	

* 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.

**Active Members in Valuation
 By Attained Age & Years of Service
 June 30, 1996**

Attained Age	--Years of Service at Valuation Date--						Total	
	0-4	5-9	10-14	15-19	20-29	30+	Count	Valuation Payroll
15-24	1	0	0	0	0	0	1	47,044
25-29	10	5	0	0	0	0	15	870,397
30-34	9	20	1	0	0	0	30	1,834,076
35-39	2	8	17	11	0	0	38	2,524,262
40-44	3	4	13	34	12	0	66	4,753,489
45-49	1	1	1	18	37	0	58	4,167,499
50-54	1	0	1	1	18	2	23	1,799,916
55-59	0	0	0	0	1	1	2	129,851
60-64	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0
Total	27	38	33	64	68	3	233	\$16,126,534

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

Appendix A

**STATEMENT OF ACTUARIAL
METHODS AND ASSUMPTIONS**

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 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 payroll. The CalPERS Board has adopted new policies regarding the amortization of the unfunded liability/(excess assets). The first implementation of this new policy is done in this valuation. That first step is to combine the prior service unfunded liability and the current service unfunded liability into a single initial unfunded liability and to establish a single amortization period for this initial unfunded liability. Commencing with fiscal year 1998-99, the amortization period for most public agency plans is 2 years, 13 years, or 18 years (funding horizons of 2000, 2011, and 2016 respectively).

Up until June 30, 1997, a portion of the assets in excess of the Entry Age Normal accrued liability was available to be applied as a direct offset to required employer and employee contributions. By State statute, this is no longer possible. All assets in excess of the Entry Age Normal accrued liability, as projected to June 30, 1998, are now used to reduce the employer contribution rate.

The actuarial funding method for the 1959 Survivor Program has been changed from the Entry Age Normal Cost Method to a modified Term Insurance Method. There is no actuarial accrued liability for active members; all liability is due to current beneficiaries. The normal cost is calculated as the amount needed to provide benefits to survivors of deaths expected in the next one year period.

Purchasing Power Protection Allowance (PPPA) Method

PPPA benefits are cost-of-living adjustments intended to maintain the individual's current retirement benefit at 75% of the original benefit at retirement adjusted for inflation since retirement. The PPPA benefit is paid, if necessary, in addition to any other cost-of-living adjustment provided under the terms of the plan. The PPPA benefit is applicable only to the Retirement Program, and not to the 1959 Survivor Program. The total annual outlay for PPPA benefits is limited by State statute to the amount of earnings, up to 1.1%, on accumulated member contributions. If this annual outlay is insufficient to provide the PPPA benefits in a given fiscal year, the 75% maintenance target would be proportionately reduced. Since the inception of the PPPA benefit program, 1.1% has proven more than sufficient to provide the 75% maintenance. Under the inflation assumption of 4.5% compounded annually, the 1.1% appears to remain sufficient over the next 20 years or more on a pooled basis, but not on a plan by plan basis. That is, some individual plans require more than the 1.1% return to fund that plan's PPPA benefits.

In August, 1995, the Board changed the PPPA administrative approach. This approach requires that each plan pay as much of its own way for PPPA as possible, up to the full 1.1% of the investment return on that plan's employee assets. In this way cross-subsidization is minimized. The actuarial valuation mimics this change in the PPPA administrative procedure and derives employer rates as the lesser of two separate actuarially computed rates:

- 1) The rate that results if a full 1.1% of the investment return on the plan's employee assets is used for that plan's PPPA payments; or
- 2) The rate that results if the plan pays the full 75% purchasing power for itself.

This model is an appropriate reflection of the new PPPA administrative procedures. Those plans for which PPPA costs are 1.1% or more are charged a rate that replaces the 1.1%. Those plans that require less than the 1.1% to maintain 75% purchasing power are not charged the full 1.1%. Instead, they are charged the rate necessary to maintain the 75%. It should be noted that nothing is charged in the rates for any cross-subsidization. The model assumes that cross-subsidization for PPPA will remain so small that it can be ignored. To the extent this assumption does not materialize, losses in some plans will occur and rates will increase.

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.

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. Each fiscal year's (July 1 through June 30) unrealized and realized gain/(loss) is spread across two to five years according to the following schedule.

<u>Portion of the Gain/(Loss)</u>	<u>Years over which that portion of the Gain/(Loss) is spread</u>
Less than 5% of market value	2 Years
Over 5% and less than 10% of market value	3 Years
Over 10% but less than 15% of market value	4 Years
Over 15% of market value	5 Years

As of a valuation date, the actuarial value of assets for the sum of all plans in the Public Employees' Retirement Fund (PERF) is set equal to the market value of assets less the sum of the portions of gains/(losses) deferred into future years by this method. The ratio of the total actuarial value of assets of the PERF to the total market value of assets of the PERF is then applied to the market value of each individual plan to determine its actuarial value.



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ACTUARIAL ASSUMPTIONS

Economic Assumptions

Investment Return

8.5% compounded annually (net of administrative expenses). This assumption is used for all plans.

Salary Growth

Annual increases that vary by category and duration of service. For Safety members, rates are also dependent on entry age. Sample rates are given below.

Duration of Service	Annual Percent Increase		
	Public Agency	Public Agency Safety	
	Miscellaneous	Entry under Age 40	Entry 40 & Over
1	14.95%	12.34%	5.02%
2	14.95	12.34	5.02
3	7.11	8.16	5.02
4	7.11	8.16	5.02
5	7.11	8.16	5.02
10	5.55	5.91	5.02
15	5.55	5.91	5.02
20	5.55	5.91	5.02
25	5.55	5.91	5.02
30	5.55	5.91	5.02
35	4.50	5.91	5.02
40	4.50	5.91	5.02

Overall Payroll Growth

4.5% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans.

Inflation

4.5% compounded annually. This assumption is used for all plans.

Demographic Assumptions

Postretirement Mortality

Rates vary by age and sex for healthy benefit recipients and for non-industrially disabled (disability not job-related) retirees. Rates vary by age for retirees who are industrially disabled (disability is job-related). See sample rates in table below. These rates are used for all plans.

Age	<u>Healthy Recipients</u>		<u>Non-Industrially Disabled (Not Job-Related)</u>		<u>Industrially Disabled (Job-Related)</u>
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male & Female</u>
50	0.0052	0.0021	0.0301	0.0177	0.0054
55	0.0073	0.0034	0.0327	0.0189	0.0089
60	0.0102	0.0055	0.0355	0.0203	0.0145
65	0.0146	0.0086	0.0396	0.0239	0.0240
70	0.0248	0.0136	0.0497	0.0297	0.0361
75	0.0419	0.0228	0.0706	0.0402	0.0531
80	0.0685	0.0390	0.1085	0.0614	0.0809
85	0.1064	0.0701	0.1600	0.1074	0.1107
90	0.1651	0.1259	0.2276	0.1944	0.1600
95	0.2303	0.1842	0.3220	0.3134	0.2515
100	0.3212	0.2930	0.4659	0.4575	0.3950

Marital Status

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

<u>Member Category</u>	<u>Percent Married</u>
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.



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Public Agency Miscellaneous 2% @ 60

Service Retirement

Rates vary by age and sex. See sample rates in table below.

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
50	0.02654	0.03684			
51	0.01228	0.02559	61	0.12426	0.08696
52	0.01834	0.02773	62	0.23818	0.18980
53	0.01619	0.03078	63	0.21037	0.17706
54	0.02251	0.03071	64	0.14311	0.12882
55	0.04813	0.05390	65	0.24399	0.23837
56	0.03957	0.04576	66	0.13820	0.14190
57	0.04788	0.04213	67	0.11208	0.14001
58	0.05500	0.06735	68	0.11736	0.10330
59	0.06811	0.06523	69	0.09036	0.12344
60	0.12807	0.09825	70	1.00000	1.00000

Termination with Refund

Rates vary by entry age, sex and service. See sample rates in tables below.

Termination with Refund (Male)

<u>Entry Age</u>	<u>Years of Service</u>					
	<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5 or more</u>
20	0.07141	0.15327	0.10537	0.09504	0.07720	0.06393
25	0.07018	0.14350	0.09987	0.08769	0.07244	0.04386
30	0.06896	0.13435	0.09465	0.08090	0.06797	0.03009
35	0.06777	0.12578	0.08971	0.07464	0.06377	0.02064
40	0.06660	0.11776	0.08502	0.06886	0.05984	0.01416
45	0.06544	0.11025	0.08058	0.06353	0.05615	0.00971
50	0.06431	0.10322	0.07637	0.05862	0.05268	0.00666
55	0.06320	0.09664	0.07238	0.05408	0.04943	0.00457
60	0.06211	0.09048	0.06860	0.04990	0.04638	0.00314

Termination with Refund (Female)

<u>Entry Age</u>	<u>Years of Service</u>					
	<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5 or more</u>
20	0.08630	0.18606	0.15121	0.12665	0.11838	0.07966
25	0.08532	0.17473	0.13666	0.11372	0.09983	0.05601
30	0.08435	0.16410	0.12350	0.10211	0.08419	0.03939
35	0.08339	0.15411	0.11162	0.09169	0.07099	0.02770
40	0.08245	0.14473	0.10087	0.08233	0.05987	0.01948
45	0.08151	0.13592	0.09116	0.07392	0.05049	0.01370
50	0.08059	0.12765	0.08239	0.06638	0.04257	0.00963
55	0.07967	0.11988	0.07446	0.05960	0.03590	0.00677
60	0.07877	0.11258	0.06729	0.05352	0.03028	0.00476

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age and sex. See sample rates in table below.

Attained Age	Male			Female		
	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Termination with Vested Deferred Benefits	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Termination with Vested Deferred Benefits
20	0.00027	0.00048	0.02023	0.00007	0.00032	0.03299
25	0.00039	0.00700	0.01818	0.00012	0.00047	0.02910
30	0.00055	0.00102	0.01633	0.00018	0.00069	0.02567
35	0.00078	0.00148	0.01467	0.00028	0.00102	0.02264
40	0.00110	0.00215	0.01318	0.00044	0.00150	0.01997
45	0.00155	0.00313	0.01184	0.00069	0.00220	0.01762
50	0.00219	0.00456	0.00000	0.00108	0.00322	0.00000
55	0.00310	0.00663	0.00000	0.00169	0.00473	0.00000
60	0.00438	0.00000	0.00000	0.00264	0.00000	0.00000

Industrial (Job-Related) Disability

Rates vary by age and sex. Rates are zero unless the agency has specifically contracted for Industrial Disability benefits. If so, the Non-Industrial Disability rate shown above will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Industrial (Job-Related) Death

Rates vary by age and sex. Rates are zero unless the agency has specifically contracted for Industrial Death benefits. If so, the 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.

Public Agency Miscellaneous 2% @ 55

Service Retirement

Rates vary by age and sex. See sample rates in table below.

Age	Male	Female	Age	Male	Female
50	0.03466	0.04811			
51	0.01617	0.03369	61	0.13474	0.09430
52	0.02439	0.03688	62	0.24803	0.19765
53	0.02177	0.04137	63	0.21037	0.17706
54	0.03053	0.04165	64	0.14311	0.12882
55	0.06593	0.07384	65	0.24399	0.23837
56	0.05232	0.06050	66	0.13820	0.14190
57	0.06106	0.05372	67	0.11208	0.14001
58	0.06745	0.08260	68	0.11736	0.10330
59	0.08032	0.07693	69	0.09036	0.12344
60	0.14485	0.11112	70	1.00000	1.00000

Termination with Refund

Rates vary by entry age, sex, and service. See sample rates in tables below.

Termination with Refund (Male)

Entry Age	Years of Service					
	0-1	1-2	2-3	3-4	4-5	5 or more
20	0.07039	0.14989	0.10218	0.09133	0.07347	0.06020
25	0.06817	0.13716	0.09381	0.08084	0.06543	0.03874
30	0.06601	0.12546	0.08605	0.07142	0.05810	0.02482
35	0.06390	0.11468	0.07883	0.06298	0.05143	0.01582
40	0.06184	0.10477	0.07214	0.05541	0.04536	0.01003
45	0.05983	0.09566	0.06593	0.04864	0.03985	0.00631
50	0.05788	0.08774	0.06110	0.04396	0.03688	0.00433
55	0.05688	0.08215	0.05791	0.04056	0.03460	0.00297
60	0.05589	0.07691	0.05488	0.03742	0.03247	0.00204

Termination with Refund (Female)

Entry Age	Years of Service					
	0-1	1-2	2-3	3-4	4-5	5 or more
20	0.08507	0.18195	0.14663	0.12170	0.11265	0.07501
25	0.08288	0.16702	0.12837	0.10484	0.09017	0.04948
30	0.08074	0.15324	0.11228	0.09015	0.07197	0.03250
35	0.07863	0.14051	0.09809	0.07736	0.05725	0.02124
40	0.07656	0.12877	0.08559	0.06625	0.04538	0.01380
45	0.07453	0.11793	0.07459	0.05660	0.03583	0.00890
50	0.07253	0.10850	0.06591	0.04978	0.02980	0.00626
55	0.07170	0.10189	0.05957	0.04470	0.02513	0.00440
60	0.07089	0.09569	0.05383	0.04014	0.02119	0.00310

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age and sex. See sample rates in table below.

Attained Age	Male			Female		
	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Termination with Vested Deferred Benefits	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Termination with Vested Deferred Benefits
20	0.00027	0.00048	0.02023	0.00007	0.00032	0.03299
25	0.00039	0.00070	0.01818	0.00012	0.00047	0.02910
30	0.00055	0.00102	0.01633	0.00018	0.00069	0.02567
35	0.00078	0.00148	0.01467	0.00028	0.00102	0.02264
40	0.00110	0.00215	0.01318	0.00044	0.00150	0.01997
45	0.00155	0.00313	0.01184	0.00069	0.00220	0.01762
50	0.00219	0.00456	0.00000	0.00108	0.00322	0.00000
55	0.00310	0.00663	0.00000	0.00169	0.00473	0.00000
60	0.00438	0.00000	0.00000	0.00264	0.00000	0.00000

Industrial (Job-Related) Disability

Rates vary by age and sex. Rates are zero unless the agency has specifically contracted for Industrial Disability benefits. If so, the Non-Industrial Disability rate shown above will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Industrial (Job-Related) Death

Rates vary by age and sex. Rates are zero unless the agency has specifically contracted for Industrial Death benefits. If so, the 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.

Public Agency Fire 2% @ 50

Service Retirement

Rates vary by age. See sample rates in table below.

Age	Rate	Age	Rate
50	0.03673	56	0.11305
51	0.03475	57	0.09843
52	0.06045	58	0.11843
53	0.11071	59	0.10456
54	0.15878	60	1.00000
55	0.22109		

Termination with Refund

Rates vary by entry age and service. See sample rates in table below.

Entry Age	Termination with Refund					
	Years of Service					
	0-1	1-2	2-3	3-4	4-5	5 or more
20	0.03915	0.03743	0.03579	0.03423	0.03273	0.01109
25	0.03129	0.02992	0.02861	0.02736	0.02616	0.00663
30	0.02501	0.02392	0.02287	0.02187	0.02091	0.00397
35	0.02000	0.01912	0.01828	0.01748	0.01672	0.00238
40	0.01598	0.01528	0.01461	0.01397	0.01336	0.00142
45	0.01278	0.01222	0.01168	0.01117	0.01068	0.00085
50	0.01021	0.00977	0.00934	0.00893	0.00854	0.00051
55	0.00816	0.00781	0.00746	0.00714	0.00683	0.00000

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Industrial (Job-Related) Death, Industrial (Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age. See sample rates in table below.

Attained Age	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Industrial (Job-Related) Death	Industrial (Job-Related) Disability	Termination with Vested Deferred Benefits
20	0.00017	0.00009	0.00011	0.00040	0.00669
25	0.00020	0.00015	0.00014	0.00073	0.00590
30	0.00023	0.00024	0.00018	0.00133	0.00521
35	0.00028	0.00039	0.00023	0.00242	0.00460
40	0.00033	0.00062	0.00029	0.00441	0.00406
45	0.00039	0.00099	0.00038	0.00802	0.00358
50	0.00046	0.00158	0.00048	0.01460	0.00000
55	0.00054	0.00000	0.00062	0.02658	0.00000

Public Agency Fire other than 2% @ 50

Service Retirement

Rates vary by age. See sample rates in table below.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
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		

Termination with Refund

Rates vary by entry age and service. See sample rates in table below.

<u>Entry Age</u>	<u>Termination with Refund</u>					
	<u>Years of Service</u>					
	<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5 or more</u>
20	0.04837	0.04717	0.04600	0.04486	0.04374	0.01190
25	0.04266	0.04160	0.04057	0.03956	0.03858	0.01029
30	0.03762	0.03688	0.03577	0.03488	0.03402	0.00891
35	0.03317	0.03235	0.03155	0.03076	0.03000	0.00771
40	0.02925	0.02853	0.02782	0.02716	0.02645	0.00667
45	0.02580	0.02516	0.02453	0.02392	0.02333	0.00577
50	0.02275	0.02218	0.02163	0.02110	0.02057	0.00500
55	0.02006	0.01956	0.01908	0.01860	0.01814	0.00000

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Industrial (Job-Related) Death, Industrial (Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age. See sample rates in table below.

<u>Attained Age</u>	<u>Non-Industrial (Not Job-Related) Death</u>	<u>Non-Industrial (Not Job-Related) Disability</u>	<u>Industrial (Job-Related) Death</u>	<u>Industrial (Job-Related) Disability</u>	<u>Termination with Vested Deferred Benefits</u>
20	0.00017	0.00009	0.00011	0.00013	0.01076
25	0.00020	0.00015	0.00014	0.00027	0.01000
30	0.00023	0.00024	0.00018	0.00057	0.00930
35	0.00028	0.00039	0.00023	0.00120	0.00864
40	0.00033	0.00062	0.00029	0.00251	0.00803
45	0.00039	0.00099	0.00038	0.00527	0.00746
50	0.00046	0.00158	0.00048	0.01105	0.00000
55	0.00054	0.00000	0.00062	0.02315	0.00000

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Public Agency Police 2% @ 50*

Service Retirement

Rates vary by age. See sample rates in table below.

Age	Rate	Age	Rate
50	0.05857	56	0.11855
51	0.04340	57	0.07146
52	0.04165	58	0.08968
53	0.15350	59	0.08743
54	0.17021	60	1.00000
55	0.18571		

Termination with Refund

Rates vary by entry age and service. See sample rates in table below.

Entry Age	Termination with Refund					
	Years of Service					
	0-1	1-2	2-3	3-4	4-5	5 or more
20	0.04373	0.08438	0.04756	0.04644	0.04650	0.03226
25	0.04758	0.08654	0.04711	0.04415	0.04182	0.01934
30	0.05177	0.08876	0.04666	0.04197	0.03761	0.01159
35	0.05633	0.09103	0.04622	0.03990	0.03382	0.00695
40	0.06128	0.09337	0.04579	0.03794	0.03041	0.00417
45	0.06668	0.09576	0.04535	0.03607	0.02735	0.00250
50	0.07255	0.09821	0.04492	0.03429	0.02459	0.00150
55	0.07893	0.10072	0.04450	0.03260	0.02211	0.00000

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Industrial (Job-Related) Death, Industrial (Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age. See sample rates in table below.

Attained Age	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Industrial (Job-Related) Death	Industrial (Job-Related) Disability	Termination with Vested Deferred Benefits
20	0.00017	0.00018	0.00011	0.00250	0.01309
25	0.00020	0.00024	0.00014	0.00347	0.01155
30	0.00023	0.00033	0.00018	0.00482	0.01018
35	0.00028	0.00044	0.00023	0.00669	0.00898
40	0.00033	0.00060	0.00029	0.00928	0.00792
45	0.00039	0.00082	0.00038	0.01289	0.00699
50	0.00046	0.00112	0.00048	0.01789	0.00000
55	0.00054	0.00000	0.00062	0.02484	0.00000

* These rates also apply to School Police. The only difference is the Industrial Disability rate. The School Police use a percentage of the rate displayed above, based on the actuary's best estimate.

Public Agency Police other than 2% @ 50*

Service Retirement

Rates vary by age. See sample rates in table below.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
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		

Termination with Refund

Rates vary by entry age and service. See sample rates in table below.

<u>Entry Age</u>	<u>Termination with Refund</u>					
	<u>Years of Service</u>					
	<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5 or more</u>
20	0.05709	0.05768	0.05828	0.05888	0.05949	0.03497
25	0.06011	0.06073	0.06135	0.06199	0.06263	0.02683
30	0.06328	0.06393	0.06459	0.06526	0.06593	0.02058
35	0.06662	0.06730	0.06800	0.06870	0.06941	0.01578
40	0.07013	0.07085	0.07159	0.07233	0.07307	0.01211
45	0.07383	0.07459	0.07536	0.07614	0.07693	0.00929
50	0.07772	0.07853	0.07934	0.08016	0.08099	0.00712
55	0.08183	0.08267	0.08353	0.08439	0.08526	0.00000

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Industrial (Job-Related) Death, Industrial (Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age. See sample rates in table below.

<u>Attained Age</u>	<u>Non-Industrial (Not Job-Related) Death</u>	<u>Non-Industrial (Not Job-Related) Disability</u>	<u>Industrial (Job-Related) Death</u>	<u>Industrial (Job-Related) Disability</u>	<u>Termination with Vested Deferred Benefits</u>
20	0.00017	0.00069	0.00011	0.00260	0.01516
25	0.00020	0.00118	0.00014	0.00355	0.01424
30	0.00023	0.00167	0.00018	0.00483	0.01338
35	0.00028	0.00216	0.00023	0.00658	0.01257
40	0.00033	0.00265	0.00029	0.00896	0.01180
45	0.00039	0.00313	0.00038	0.01221	0.01109
50	0.00046	0.00362	0.00048	0.01663	0.00000
55	0.00054	0.00000	0.00062	0.02266	0.00000

* These rates also apply to School Police. The only difference is the Industrial Disability rate. The School Police use a percentage of the rate displayed above, based on the actuary's best estimate.



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Appendix B

SUMMARY OF PRINCIPAL PLAN PROVISIONS

SUMMARY OF BENEFITS: COVERAGE GROUP 74001

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 50** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

<u>Retirement Age</u>	<u>2% at 50 Factor</u>
50	2.0000%
51	2.1400%
52	2.2800%
53	2.4200%
54	2.5600%
55 & Up	2.7000%

- 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.
- 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 capped at 75% of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status

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

Eligibility to Start Receiving Benefits

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

Benefit

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

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility

A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all PERS employers, and with certain other Retirement Systems with which PERS 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.

Industrial (Job-Related) Disability Retirement

Eligibility

An employee is eligible for Industrial Disability Retirement if he or she becomes *disabled* while working, where *disabled* means the member is unable to perform the duties of the job because of a work-related illness or injury which is expected to be permanent or to last indefinitely. A

CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described in the next paragraph.

Benefit

The Industrial Disability Retirement benefit is a monthly allowance equal to 50% of final compensation. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit. For a member who entered into CalPERS after 1/1/80, the Industrial Disability benefit is limited to the amount he or she would have received for service retirement, if credited service were projected to age 55. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of the accumulated member contributions with respect to employment in this group.

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.

Form of Payment for Retirement Allowance

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. The larger the amount to be provided to the beneficiary is, and the younger the beneficiary is, the greater the reduction to the retiree's allowance.

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 who is no longer actively employed with any CalPERS employer is not 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 8.5% 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 who is no longer actively employed with any CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death 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 or remarriage of the spouse. The spouse may elect to receive a reduced allowance that would not end upon remarriage. 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.

Special Death Benefit

Eligibility

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

Benefit

The Special Death benefit is a monthly allowance equal to 50% of final compensation. The allowance is payable to the surviving spouse until death or remarriage, at which time the allowance is continued to any unmarried children under age 22. The spouse may elect to receive a reduced allowance that would not end upon remarriage. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

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

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

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 75% 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. The total annual outlay for PPPA is limited to 1.1% of accumulated member contributions. If this amount of member contributions were insufficient to provide for PPPA payments, the 75% target would be proportionately reduced.

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 9%.

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.

SUMMARY OF BENEFITS: COVERAGE GROUP 75001

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 50** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

<u>Retirement Age</u>	<u>2% at 50 Factor</u>
50	2.0000%
51	2.1400%
52	2.2800%
53	2.4200%
54	2.5600%
55 & Up	2.7000%

- 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.
- 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 capped at 75% of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status

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

Eligibility to Start Receiving Benefits

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

Benefit

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

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility

A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all PERS employers, and with certain other Retirement Systems with which PERS 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.

Industrial (Job-Related) Disability Retirement

Eligibility

An employee is eligible for Industrial Disability Retirement if he or she becomes *disabled* while working, where *disabled* means the member is unable to perform the duties of the job because of a work-related illness or injury which is expected to be permanent or to last indefinitely. A



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CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described in the next paragraph.

Benefit

The Industrial Disability Retirement benefit is a monthly allowance equal to 50% of final compensation. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit. For a member who entered into CalPERS after 1/1/80, the Industrial Disability benefit is limited to the amount he or she would have received for service retirement, if credited service were projected to age 55. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of the accumulated member contributions with respect to employment in this group.

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.

Form of Payment for Retirement Allowance

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. The larger the amount to be provided to the beneficiary is, and the younger the beneficiary is, the greater the reduction to the retiree's allowance.

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 who is no longer actively employed with any CalPERS employer is not 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 8.5% 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 who is no longer actively employed with any CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death 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 or remarriage of the spouse. The spouse may elect to receive a reduced allowance that would not end upon remarriage. 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.

Special Death Benefit

Eligibility

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

Benefit

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- if 2 eligible children: 20.0% of final compensation
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Cost-of-Living Adjustments



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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.

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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 75% 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. The total annual outlay for PPPA is limited to 1.1% of accumulated member contributions. If this amount of member contributions were insufficient to provide for PPPA payments, the 75% target would be proportionately reduced.

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The monthly compensation breakpoint is \$0.

The percent contributed above the monthly compensation breakpoint is 9%.

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.

SUMMARY OF BENEFITS: COVERAGE GROUP 76001

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

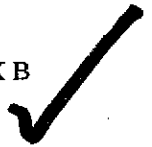
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55 & Up	2.7000%

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- The Service Retirement benefit is capped at 75% of final compensation.

Vested Deferred Retirement



Eligibility for Deferred Status

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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 PERS employers, and with certain other Retirement Systems with which PERS 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

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Industrial (Job-Related) Disability Retirement

Eligibility

An employee is eligible for Industrial Disability Retirement if he or she becomes *disabled* while working, where *disabled* means the member is unable to perform the duties of the job because of a work-related illness or injury which is expected to be permanent or to last indefinitely. A

CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described in the next paragraph.

Benefit

The Industrial Disability Retirement benefit is a monthly allowance equal to 50% of final compensation. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit. For a member who entered into CalPERS after 1/1/80, the Industrial Disability benefit is limited to the amount he or she would have received for service retirement, if credited service were projected to age 55. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of the accumulated member contributions with respect to employment in this group.

Post-Retirement Death Benefit

Lump Sum Payment

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Form of Payment for Retirement Allowance

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. The larger the amount to be provided to the beneficiary is, and the younger the beneficiary is, the greater the reduction to the retiree's allowance.

Pre-Retirement Death Benefits

Basic Death Benefit

Eligibility

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Benefit

The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 8.5% 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 who is no longer actively employed with any CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death 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 or remarriage of the spouse. The spouse may elect to receive a reduced allowance that would not end upon remarriage. 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.

Special Death Benefit

Eligibility

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

Benefit

The Special Death benefit is a monthly allowance equal to 50% of final compensation. The allowance is payable to the surviving spouse until death or remarriage, at which time the allowance is continued to any unmarried children under age 22. The spouse may elect to receive a reduced allowance that would not end upon remarriage. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

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

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

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 75% 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. The total annual outlay for PPPA is limited to 1.1% of accumulated member contributions. If this amount of member contributions were insufficient to provide for PPPA payments, the 75% target would be proportionately reduced.

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 9%.

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.



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September 27, 1996

FILE COPY

Finance Officer

ER#: 0060 SAFETY PLAN FOR NEWPORT BEACH CITY

RE: Surplus Assets

Legislation enacted in 1990 (Senate Bill 1015) requires that CalPERS set employer contribution rates using all assets of the plan, including assets previously categorized as "surplus", by July 1, 1997. The provisions of that legislation required phasing out the establishment of "new" surplus each year. This started with a "new" surplus equal to 80% of assets in excess of accrued liabilities for the 1993-94 Fiscal Year, then "new" surplus equal to 60% of such excess for fiscal 1994-95, 40% for fiscal 1995-96, and finally "new" surplus of 20% of such excess for fiscal 1996-97. No new surplus will be established after the current 20% amount. All surplus remaining on June 30, 1997 must be transferred back to the regular asset account of the employer and used to lower the existing employer contribution rate.

Unfortunately, we have not yet finalized the actuarial valuation that determines the final new surplus amounts. In an effort to give you an opportunity to use this new surplus, if any, before June 30, 1997, we are providing you with a **preliminary estimate** of new surplus. Be aware that **this is only a draft estimate and is subject to change**. We are notifying our Payroll Processing Unit of these estimated amounts and authorizing them to accept the use of surplus, including this estimated amount, between now and June 30, 1997. Please understand that, **should the final valuation result show a lower finalized surplus amount, your agency will be required to make up the contributions which have been paid through the use of the estimated surplus amount provided in this letter**. If this occurs, your agency would not be assessed delinquent payment penalties on those amounts. We expect to have finalized surplus amounts within the next six to eight weeks. So, these estimated surplus amounts, which are subject to later correction, will be used for at most these next two months.

The estimated "new" surplus for fiscal 1996-97, which is **subject to later correction**, for SAFETY PLAN FOR NEWPORT BEACH CITY is \$0.

In setting the employer contribution rate for July 1, 1997 through June 30, 1998, CalPERS will include the estimated amount of unused surplus on June 30, 1997 in the employer's assets. This estimate will be calculated using the conservative assumption that your agency will use as much of the surplus, including "new" surplus for 1996-97, as possible to pay employer and employee contributions between now and June 30, 1997 and will include interest, at the assumed annual rate of 8.5%, on any unused surplus through June 30, 1997. This estimated balance of unused surplus will be added to your employer assets and will lower your agency's unfunded liability (or increase the excess assets) as of June 30, 1997. In this way, the estimated unused surplus will be spread over the same funding horizon used in the determination of your employer contribution rate for Fiscal Year 1997-98. When the actual unused surplus on June 30, 1997 is determined, any difference between the projected estimate described above and the actual unused surplus as of June 30, 1997, will be taken into account used in setting your employer rate for Fiscal Year 1998-99.

If you have questions concerning this issue, please feel free to call your team's actuary.

Sincerely,

Ron Seeling, Chief Actuary
Actuarial & Employer Services Division