



CITY OF NEWPORT BEACH FINANCE COMMITTEE STAFF REPORT

Agenda Item No. 5D
November 17, 2014

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Dan Matusiewicz, Finance Director
(949) 644-3123, Danm@newportbeachca.gov

SUBJECT: CalPERS Pension Plan Update and Analysis of Payment Alternatives

RECOMMENDATION:

Provide staff with policy direction related to the proposed funding options, suggest further changes as needed and if applicable, recommend a funding option for submission to the City Council for approval.

BACKGROUND:

The City of Newport Beach's pensions are pre-funded, as opposed to pay-as-you-go retirement systems like Social Security. In pre-funded systems, the employer and employee make contributions into a pension trust each year, over the course of an employee's working life. That money is invested and earnings on these funds are re-invested. By the time the employee reaches retirement, the accumulated assets in the trust are available to pay benefits. The objective of course, is to accumulate sufficient assets to pay the benefits over the remainder of the employee's life. To meet this objective, a pension plan should receive contributions in accordance with an actuarially based funding policy. The actuarially determined pension funding plan determines exactly how much the employer and employee should contribute each year to ensure that the benefits being earned will be securely funded in a systematic fashion.

Funding a Pension Plan



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Plan assets come from three distinct sources including employee contributions, employer contributions and investment income.

Since actuarial assumptions are for the long term, demographic and economic assumptions can vary from actual experience. There are many moving parts such as mortality experience, retirement rates, disability incidences, salary growth, investment returns and more. An actuarial plan valuation is therefore prepared each year to true-up contributions levels to better match actual experience.

DISCUSSION:

The most recent actuarial report presents the results of the June 30, 2013 California Public Employees' Retirement System (Cal PERS) valuation of both the Miscellaneous and the Public Safety Plans for the City of Newport Beach. This report sets the fiscal year 2015-16 required contribution rates.

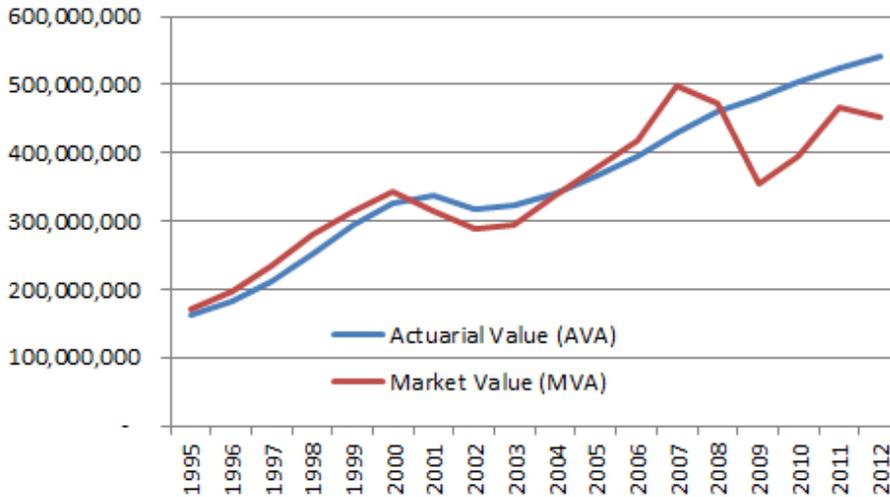
Changes Impacting the Valuation Results

On April 17, 2013, the California Public Employees Retirement System (CalPERS) Board of Administration adopted new amortization and smoothing policies. The change became effective with the current valuation (June 30, 2013) that sets the 2015-16 contribution rates. With this change, CalPERS now employs an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. This policy resulted in a negative amortization of the City's unfunded liability (e.g., the unfunded liability would continue to grow year after year under the previous policy).

The former rate smoothing policy also employed the use of an Actuarial Value of Assets (AVA) methodology to set contribution rates. The AVA represented a moving average, of sorts, intended smooth out the everyday ups and downs of the market. While the AVA was known to reduce rate volatility, it also understated the long term funding risk in extreme market conditions. The AVA methodology lagged significantly behind the Market Value of Assets (MVA). During the course of the recession, the AVA strayed so far from the MVA, it became clear that the AVA was no longer a viable option. Despite recent positive investment returns, the elimination of the AVA, created an asset adjustment of nearly \$80 million.

The following chart below depicts the two asset values over time and the gap that was created during the past recession.

Asset Value History



Key Valuation Results

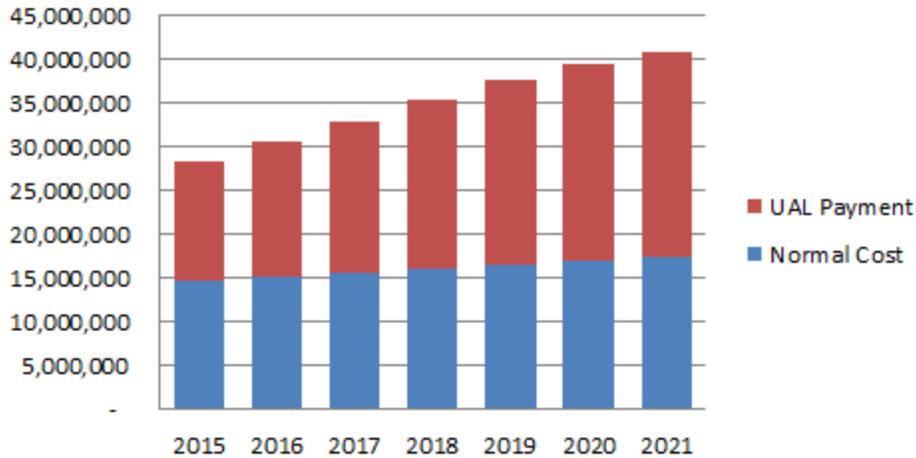
Net of positive investment returns, annual contributions and benefit payments, the City’s unfunded pension liability decreased \$17 million from \$275 million to \$258 million despite the \$80 million adjustment mentioned above. The components of the unfunded liability are displayed in the following table.

	Miscellaneous	Public Safety	Total
Accrued Liability	\$316,856,655	\$437,688,131	\$754,544,786
Less Market Value of Assets (MVA)	\$222,107,686	\$274,484,679	\$496,592,365
Unfunded Liability	\$94,748,969	\$163,203,452	\$257,952,421
Funded Ratio (MVA/Accrued Liability)	70.1%	62.7%	65.8%

The accrued liability is the value of benefits earned to date by members currently in the plan. When a plan’s Market Value of Assets (MVA) is less than its Accrued Liability, the difference is the plan Unfunded Liability. The “Normal Cost” represents the annual pension cost of service for the upcoming fiscal year for active employees. If an Unfunded Liability exists, the plan will have to pay contributions exceeding the normal cost of the plan to pay-down the Unfunded Actuarial Liability (UAL). This amount is associated with past service periods and is due regardless of whether any further service credit is earned. Based on a current attribution analysis of the UAL, 70% of the UAL is attributable to plan participants no longer employed by the City.

Utilizing the plan’s assumed payroll growth of 3% and inclining payment schedules utilized by CalPERS, we expect the total cost of the pension plans to increase as follows:

Total Cost Projection

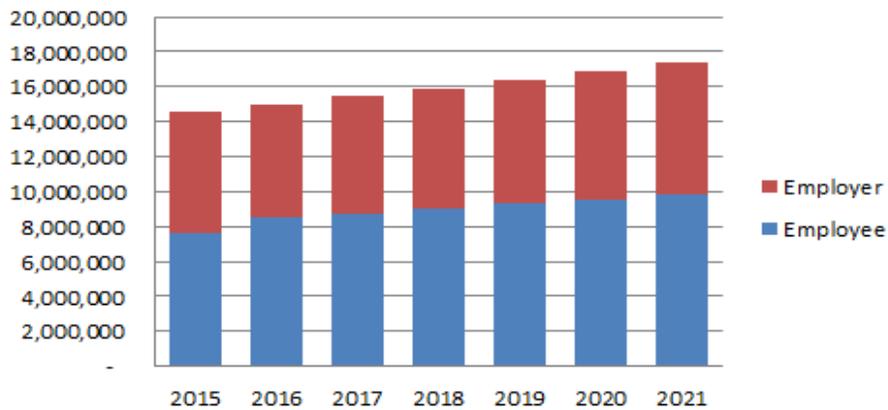


* Based on zero vacancies and assumed payroll growth of 3%

The chart above also demonstrates that the payment on the unfunded actuarial liability (UAL) represents an increasing portion of the total cost of the pension plans. At the same time, normal pension costs will remain relatively stable.

Employee contributions are also expected to represent a larger percentage of the plan contributions based on current labor contracts and currently exceed 50% of the normal plan costs as is demonstrated by the chart below:

Normal Cost Projection



* Based on zero vacancies and assumed payroll growth of 3%

Impact of New Asset Smoothing Methodology

On April 9, 2013, the City Council approved a fresh start fixing the payment schedules to 21 years for Miscellaneous and 26 for Safety. Two years later, our remaining amortization period should have been 19 years and 24 years for the respective plans. Unfortunately, the \$80 million AVA adjustment was added to our unfunded liability payment schedule to be amortized over a fixed 30 year period which will slow our pension funding progress, in spite of our prior fresh start. On a weighted average basis, the remaining amortization period is now 22.9 years for Miscellaneous and 25.7 years for Safety.

Options for Funding of the UAL Faster

It is the City's policy (See Reserve Policy F-2) to: 1) amortize the unfunded actuarial liability in accordance with the actuary's funding recommendations; and 2) make effort at maintaining its UAL within a range that is considered acceptable to actuarial standards. Our actuary indicates that an 80% funded ratio is a good target, leaving room for market value adjustments in either direction. Policy F-2 further prescribes that the City Council shall consider increasing the annual CalPERS contribution should the UAL status fall below acceptable actuarial standards.

The City has taken a number of actions to mitigate the rising costs including:

- Establishing lower benefit formulas for new hires
- Eliminating the Employer Paid Member Contribution (EPMC)
- Having employees pay more of the pension costs.
- Reducing the number of staff by nearly 100 employees
- Adopting a fixed and shorter amortization period of the unfunded liability

Investment returns have been promising as of late but are not likely to eliminate our unfunded liability without further action. Significant savings will accrue to the City as the result of previous Council actions but the current UAL will take more than two decades to fully be eliminated under the current payment schedule.

A more immediate approach at addressing the escalating nature of UAL costs and to bring the City's funded status higher than the current funded ratio of 65.8% is to accelerate our payments on the UAL, similar to paying a mortgage or car payment quicker. Nearly two years ago, the City accelerated its UAL payment schedule by increasing its payments to CalPERS. In doing so, the Council set a course to reduce interest by \$113 million over the next 30 years. As previously stated, the new asset smoothing policy employs a 30 year fixed amortization with a 5 year ramp up. The 5 year ramp effectively defers the full cost of the UAL over time. By paying the full amount sooner and shortening the amortization period, the City can realize significant additional savings.

The City again has an opportunity to accelerate the payment of the UAL from the current 30-year plan. Staff evaluated various funding options to accelerate the repayment of the unfunded liability and achieve significant plan savings. As directed by Chairman Henn, staff evaluated the option to repay both plans over a fixed 19 year, 15 year and 10 years periods as compared to the current schedule. The table below summarizes and compares the funding requirements and potential savings of year funding option.

Unfunded Liability Payment Savings (Millions)				
Payment Schedule				
	Current	19 Yr	15 Yr	10 Yr
Projected Unfunded Liability - 6/30/15	273	273	273	273
Total Payment Requirement	664	535	465	390
Gross Payment Savings	N/A	129	198	274
NPV Savings @ 3%	N/A	47	76	109

Each of the scenario options will result in lower interest payments and greater long-term savings. Related cash flows can be found on page 2 of Attachment A.

Current 30-Year UAL Payment Plan (Current)

Under the current 30-year plan presented in the latest valuation, the City will pay down the UAL over 30 years at a net present value cost of \$440 million (including interest). Under this plan, the City will reach an 80% funded status in 2021 (Miscellaneous Plan) and 2027 (Public Safety Plan).

Scenario 1: 19-Year UAL Payment Plan - Recommended

Under the 19-year payment plan, the City will pay down the UAL at a net present value cost of \$375 million (including interest) and realize present value savings of \$47 million from the 30-year plan. Under this plan, the City will reach an 80% funded status in 2020 (Miscellaneous Plan) and 2024 (Public Safety Plan). On average this option will require additional funding of \$5 million for the first 4 years and an average of an additional \$3 million for the remaining years when compared to the current payment plan. From a cash flow perspective, staff recommends this as a financially sustainable option when compared to the scenarios that follow. It achieves significant return on investment with relatively low incremental cost.

Scenario 2: 15-Year UAL Payment Plan – More Savings But Twice the Cash Flow

Under the 15-year payment plan, the City will pay down the UAL at a net present value cost of \$364 million (including interest) and realize present value savings of \$76 million from the 30-year plan. Under this plan, the City will reach an 80% funded status in 2020 (Miscellaneous Plan) and 2023 (Public Safety Plan). On average this option will require additional funding of \$9 million annually for the first 4 years and an average of an

additional \$8 million for the remaining years when compared to the current payment plan.

Scenario 3: 10-Year UAL Payment Plan- Extremely Aggressive

Under the 10-year payment plan, the City will pay down the UAL at a net present value cost of \$330 million (including interest) and realize present value savings of \$109 million from the 30-year plan. Under this plan, the City will reach an 80% funded status in 2019 (Miscellaneous Plan) and 2021 (Public Safety Plan). On average this option will require additional funding of \$18 million annually when compared to the current payment plan.

Summary

CalPERS acts as an investment and administrative agent for the City's pension assets and recognizes that a long time investment horizon is a responsibility and an advantage. While accelerating UAL payments increases the City's exposure to market risk, doing so in an orderly "dollar cost average" basis as proposed in the accelerated payment scenarios above is an accepted method of mitigating market risk and lowering the City's pension costs.

There are two options for an accelerated UAL pay down. The first is known as a "Fresh Start" which pays down the UAL sooner and saves significant interest costs. The City employed a Fresh Start in 2013 and in doing so changed the amortization methodology from a rolling 30 year basis to a fixed declining basis. This methodology decreases interest costs by paying down principal sooner rather than deferring payments down the road. However, like any fixed mortgage rate, there is no flexibility in contributing lower payment amounts. The second alternative is known as "Additional Discretionary Payments (ADP)" which allows agencies to contribute any desired amount above the minimum payment, thereby providing more flexibility should the City find itself cash constrained in any down year. The City's actuary, credit rating agencies and staff believe that electing to pay the unfunded liability on a discretionary basis is the preferred method because the City preserves its budget flexibility in the event of an economic down.

Using cash now to pay off the UAL also has an opportunity cost. What services, programs, facilities, or beautification might the community desire now that would be foregone due to the commitment of cash for this purpose? Staff recommends scenario 1, the 19 year payment amortization. This plan produces significant long-term savings at a relatively low incremental cost. Staff proposes that the incremental cost of the first year could come from the FY 2013-14 operating surplus and future contributions could come from future anticipated revenue growth and future operating surpluses until the incremental cost can be fully absorbed into the operating budget. This initiative would have no foreseeable impact on the Facilities Financial Plan as currently contemplated.

Staff requests that the Finance Committee provide policy direction related to the proposed funding options, suggest further changes as needed and if applicable, recommend a funding option for submission to the City Council for approval.

Prepared by:

Submitted by:

/s/ Steve Montano

/s/ Dan Matusiewicz

Steve Montano
Deputy Finance Director

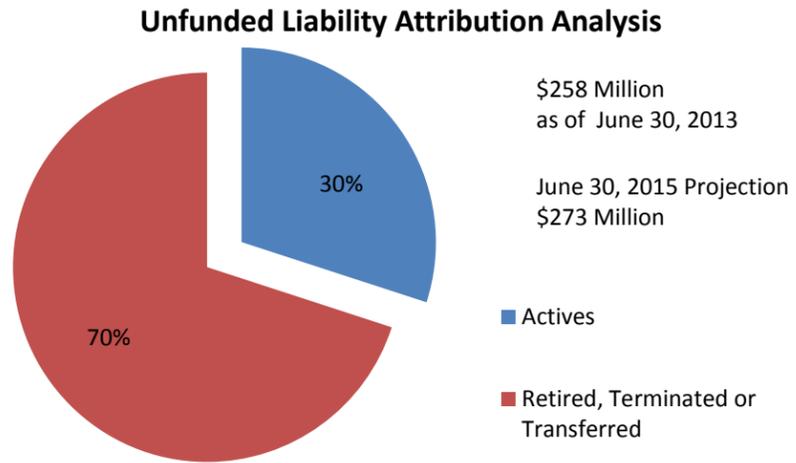
Dan Matusiewicz
Finance Director

Attachments:

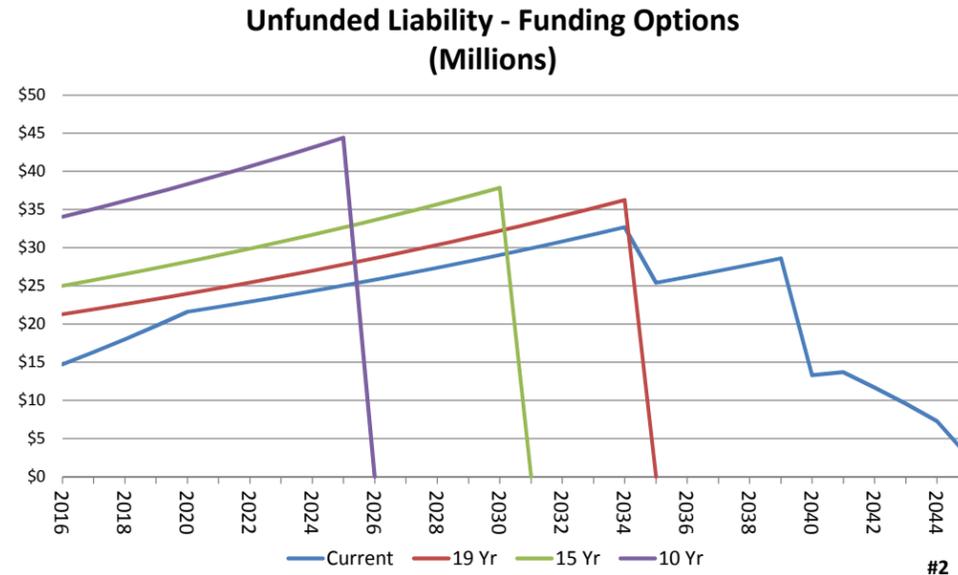
- A. Analysis of Unfunded Pension Liability Funding Options
- B. Annual Valuation Report as of June 30, 2013 – Miscellaneous Plan
- C. Annual Valuation Report as of June 30, 2013 – Safety Plan

Attachment A

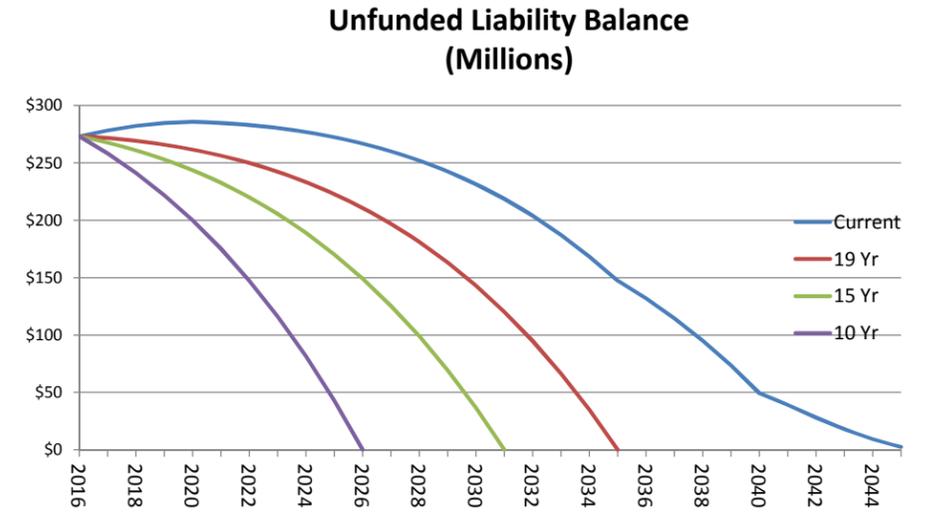
Analysis of Unfunded Pension Liability and Funding Options 6/30/13 Actuarial Valuation Prepared October 2014



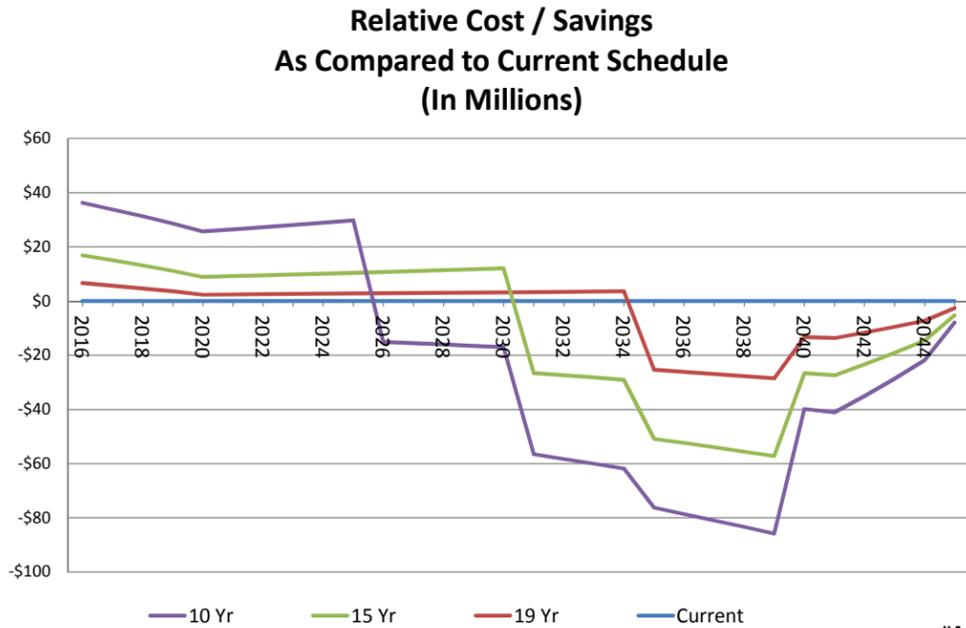
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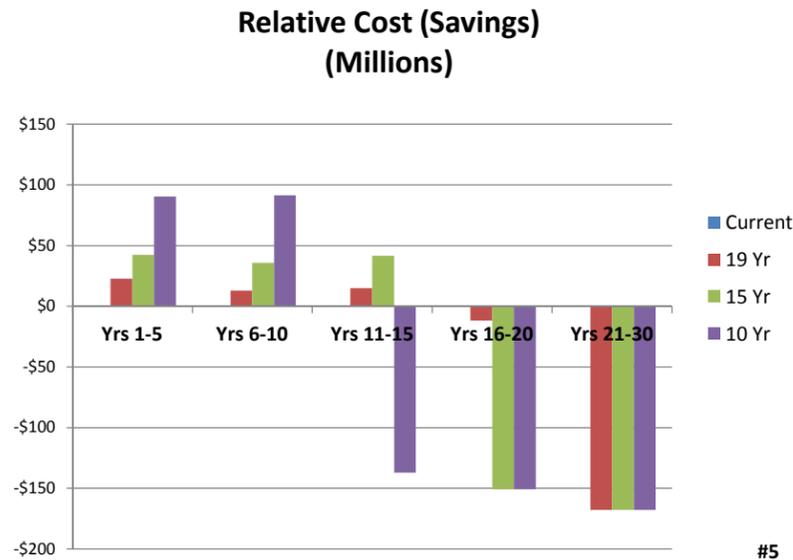
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	Unfunded Liability Payment Savings (Millions)			
	Payment Schedule			
	Current	19 Yr	15 Yr	10 Yr
Projected Unfunded Liability - 6/30/15	273	273	273	273
Total Payment Requirement	664	535	465	390
Gross Payment Savings	N/A	129	198	274
NPV Savings @ 3%	N/A	47	76	109

#6

Attachment A

CHART DATA

		UAL Payment				Incremental Cost/Savings				UAL Balance				Funded Status			
		Current	19 Yr	15 Yr	10 Yr	Current	19 Yr	15 Yr	10 Yr	Current	19 Yr	15 Yr	10 Yr	Current	19 Yr	15 Yr	10 Yr
1	2016	14.7	21.3	25.0	34.0	-	6.6	10.3	19.3	273	273	273	273	63.8%	63.8%	63.8%	63.8%
2	2017	16.3	21.9	25.8	35.1	-	5.6	9.5	18.8	278	271	267	258	65.4%	66.2%	66.7%	67.9%
3	2018	18.0	22.6	26.5	36.1	-	4.6	8.6	18.1	282	269	261	241	67.0%	68.5%	69.5%	71.8%
4	2019	19.8	23.3	27.3	37.2	-	3.5	7.6	17.4	285	266	253	222	68.7%	70.8%	72.2%	75.6%
5	2020	21.6	24.0	28.2	38.3	-	2.4	6.6	16.7	285	261	243	200	70.5%	73.0%	74.9%	79.4%
6	2021	22.3	24.7	29.0	39.5	-	2.4	6.7	17.2	284	256	233	175	72.4%	75.2%	77.5%	83.0%
7	2022	22.9	25.4	29.9	40.7	-	2.5	6.9	17.7	283	250	220	147	74.3%	77.3%	80.0%	86.6%
8	2023	23.6	26.2	30.8	41.9	-	2.6	7.2	18.3	280	242	205	116	76.1%	79.3%	82.5%	90.1%
9	2024	24.3	27.0	31.7	43.1	-	2.7	7.4	18.8	277	233	189	81	77.8%	81.3%	84.9%	93.5%
10	2025	25.1	27.8	32.6	44.4	-	2.7	7.6	19.4	272	223	170	43	79.5%	83.2%	87.2%	96.8%
11	2026	25.8	28.6	33.6	-	-	2.8	7.8	(25.8)	267	211	149	-	81.2%	85.1%	89.5%	100.0%
12	2027	26.6	29.5	34.6	-	-	2.9	8.1	(26.6)	260	197	125	-	82.8%	87.0%	91.7%	
13	2028	27.4	30.4	35.7	-	-	3.0	8.3	(27.4)	252	181	99	-	84.3%	88.7%	93.8%	
14	2029	28.2	31.3	36.7	-	-	3.1	8.5	(28.2)	242	163	69	-	85.9%	90.5%	96.0%	
15	2030	29.0	32.2	37.8	-	-	3.2	8.8	(29.0)	231	143	37	-	87.3%	92.2%	98.0%	
16	2031	29.9	33.2	-	-	-	3.3	(29.9)	(29.9)	219	120	-	-	88.8%	93.8%	100.0%	
17	2032	30.8	34.2	-	-	-	3.4	(30.8)	(30.8)	204	95	-	-	90.2%	95.4%		
18	2033	31.7	35.2	-	-	-	3.5	(31.7)	(31.7)	187	66	-	-	91.6%	97.0%		
19	2034	32.7	36.3	-	-	-	3.6	(32.7)	(32.7)	168	35	-	-	92.9%	98.5%		
20	2035	25.4	-	-	-	-	(25.4)	(25.4)	(25.4)	147	-	-	-	94.2%	100.0%		
21	2036	26.2	-	-	-	-	(26.2)	(26.2)	(26.2)	132	-	-	-	95.1%			
22	2037	27.0	-	-	-	-	(27.0)	(27.0)	(27.0)	115	-	-	-	96.0%			
23	2038	27.8	-	-	-	-	(27.8)	(27.8)	(27.8)	95	-	-	-	96.9%			
24	2039	28.6	-	-	-	-	(28.6)	(28.6)	(28.6)	73	-	-	-	97.8%			
25	2040	13.3	-	-	-	-	(13.3)	(13.3)	(13.3)	49	-	-	-	98.6%			
26	2041	13.7	-	-	-	-	(13.7)	(13.7)	(13.7)	39	-	-	-	98.9%			
27	2042	11.7	-	-	-	-	(11.7)	(11.7)	(11.7)	28	-	-	-	99.3%			
28	2043	9.6	-	-	-	-	(9.6)	(9.6)	(9.6)	18	-	-	-	99.6%			
29	2044	7.3	-	-	-	-	(7.3)	(7.3)	(7.3)	9	-	-	-	99.8%			
30	2045	2.6	-	-	-	-	(2.6)	(2.6)	(2.6)	3	-	-	-	99.9%			
Sum		663.9	534.9	465.4	390.3	-	(128.9)	(198.5)	(273.5)								
NPV		440.0	392.9	364.4	330.6	-	(47.1)	(75.6)	(109.5)								

UAL Attribution Analysis			
Entry Age Normal Accrued Liability	Misc	Safety	Total
a) Active Members [(1a) - (2) - (3)]	\$122,667,031	\$103,621,859	\$226,288,890
b) Transferred Members (1b)	11,038,358	6,922,065	\$17,960,423
c) Terminated Members (1c)	11,951,694	3,472,891	\$15,424,585
d) Members and Beneficiaries Receiving Payments (1d)	171,199,572	323,671,316	\$494,870,888
e) Total	\$316,856,655	\$437,688,131	\$754,544,786
Actives	39%	24%	30%
Retired, Terminated or Transferred	61%	76%	70%

	UAL Cost/Savings			
	Current	19 Yr	15 Yr	10 Yr
Total Payment Requirement	663.9	534.9	465.4	390.3
Gross Payment Savings	N/A	128.9	198.5	273.5
NPV Savings @ 3%	N/A	47.1	75.6	109.5

Years	Full UAL Payment				Incremental			
	Current	19 Yr	15 Yr	10 Yr	Current	19 Yr	15 Yr	10 Yr
Yrs 1-5	90	113	133	181	-	23	42	90
Yrs 6-10	118	131	154	210	-	13	36	91
Yrs 11-15	137	152	179	-	-	15	42	(137)
Yrs 16-20	151	139	-	-	-	(12)	(151)	(151)
Yrs 21-30	168	-	-	-	-	(168)	(168)	(168)

MISCELLANEOUS PLAN - AMORTIZATION BASES

CALPERS ACTUARIAL VALUATION - June 30, 2013
 MISCELLANEOUS PLAN OF THE CITY OF NEWPORT BEACH
 CalPERS ID: 1545983430

Schedule of Amortization Bases

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

- The assets, liabilities and funded status of the plan are measured as of the valuation date; June 30, 2013.
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date; fiscal year 2015-16.

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

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

Reason for Base	Date Established	Amortization Period	Balance 6/30/13	Expected Payment 2013-14	Balance 6/30/14	Expected Payment 2014-15	Amounts for Fiscal 2015-16		
							Balance 6/30/15	Scheduled Payment for 2015-16	Payment as Percentage of Payroll
FORCED FS OLD METHOD	06/30/11	19	\$60,535,312	\$4,433,469	\$60,478,742	\$4,566,473	\$60,280,027	\$4,703,467	11.207%
(GAIN)/LOSS	06/30/12	29	\$3,554,347	\$0	\$3,820,923	\$229,448	\$3,869,595	\$236,332	0.563%
(GAIN)/LOSS	06/30/13	30	\$30,659,310	\$(536,393)	\$33,514,902	\$(416,839)	\$36,460,708	\$512,821	1.222%
TOTAL			\$94,748,969	\$3,897,076	\$97,814,567	\$4,379,082	\$100,610,330	\$5,452,620	12.992%

Attachment A

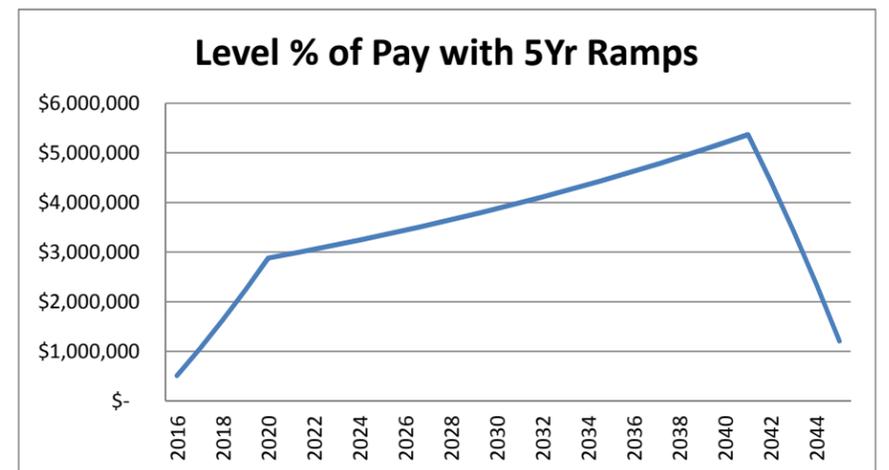
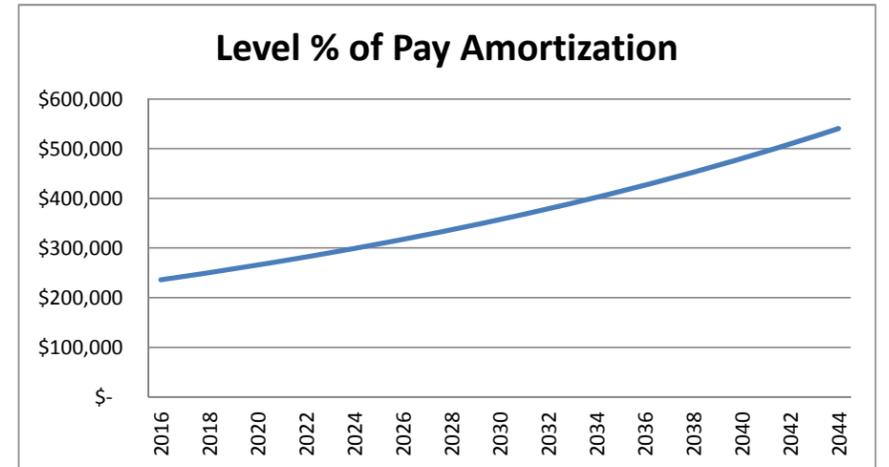
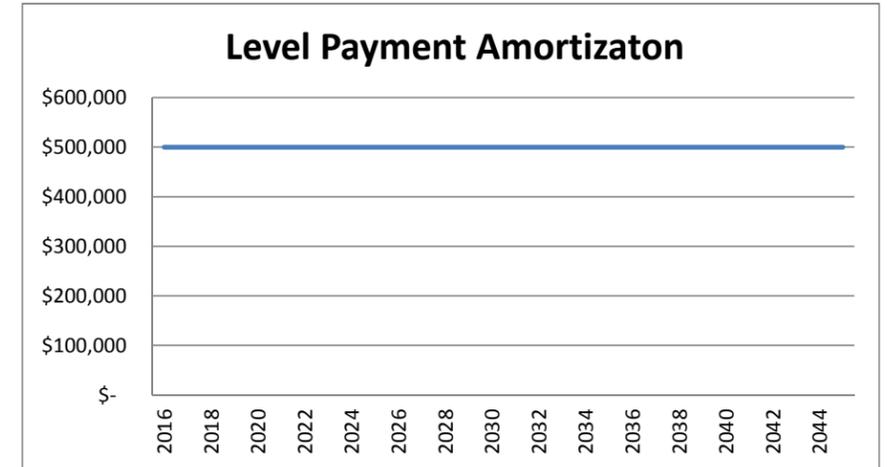
MISCELLANEOUS PLAN - CURRENT AMORTIZATION SCHEDULE

										MISCELLANEOUS UNFUNDED LIABILITY			
2011 Fresh Start			2012 Base			2013 Base			Cash Flow - Option 1 - Status Quo				
30 Yr Fixed - Level % of Pay			30 Yr Fixed - Level % of Pay			Fixed 30 Yr with 5 Yr Ramps			Mixed Amort				
Balance	Period	Payment	Balance	Period	Payment	Balance	Period	Payment	Balance	Year	Payment	Funded	
									\$ 94,748,969			70.1%	
									\$ 97,814,567			71.4%	
2013													
2014													
1 2016	\$ 60,280,027	19	\$ 4,703,467	\$ 3,869,595	29	\$ 236,332	\$ 36,460,708	30	\$ 512,821	\$ 100,610,330	30	\$ 5,452,620	72.7%
2 2017	\$ 59,924,370	18	\$ 4,844,571	\$ 3,914,781	28	\$ 243,422	\$ 38,663,557	29	\$ 1,056,412	\$ 102,502,708	29	\$ 6,144,405	74.2%
3 2018	\$ 59,395,739	17	\$ 4,989,909	\$ 3,956,004	27	\$ 250,725	\$ 40,468,013	28	\$ 1,632,156	\$ 103,819,756	28	\$ 6,872,789	75.8%
4 2019	\$ 58,676,772	16	\$ 5,139,606	\$ 3,992,747	26	\$ 258,246	\$ 41,810,859	27	\$ 2,241,494	\$ 104,480,378	27	\$ 7,639,346	77.4%
5 2020	\$ 57,748,673	15	\$ 5,293,794	\$ 4,024,448	25	\$ 265,994	\$ 42,622,643	26	\$ 2,885,924	\$ 104,395,764	26	\$ 8,445,711	79.0%
6 2021	\$ 56,591,102	14	\$ 5,452,608	\$ 4,050,494	24	\$ 273,973	\$ 42,827,152	25	\$ 2,972,501	\$ 103,468,747	25	\$ 8,699,083	80.7%
7 2022	\$ 55,182,050	13	\$ 5,616,186	\$ 4,070,219	23	\$ 282,193	\$ 42,957,233	24	\$ 3,061,676	\$ 102,209,502	24	\$ 8,960,055	82.4%
8 2023	\$ 53,497,718	12	\$ 5,784,672	\$ 4,082,902	22	\$ 290,658	\$ 43,004,612	23	\$ 3,153,527	\$ 100,585,232	23	\$ 9,228,857	83.9%
9 2024	\$ 51,512,372	11	\$ 5,958,212	\$ 4,087,758	21	\$ 299,378	\$ 42,960,312	22	\$ 3,248,132	\$ 98,560,442	22	\$ 9,505,722	85.4%
10 2025	\$ 49,198,194	10	\$ 6,136,958	\$ 4,083,938	20	\$ 308,360	\$ 42,814,600	21	\$ 3,345,576	\$ 96,096,733	21	\$ 9,790,894	86.8%
11 2026	\$ 46,525,125	9	\$ 6,321,067	\$ 4,070,520	19	\$ 317,610	\$ 42,556,928	20	\$ 3,445,944	\$ 93,152,572	20	\$ 10,084,621	88.1%
12 2027	\$ 43,460,687	8	\$ 6,510,699	\$ 4,046,503	18	\$ 327,139	\$ 42,175,867	19	\$ 3,549,322	\$ 89,683,058	19	\$ 10,387,159	89.4%
13 2028	\$ 39,969,803	7	\$ 6,706,020	\$ 4,010,807	17	\$ 336,953	\$ 41,659,042	18	\$ 3,655,802	\$ 85,639,651	18	\$ 10,698,774	90.6%
14 2029	\$ 36,014,588	6	\$ 6,907,201	\$ 3,962,257	16	\$ 347,061	\$ 40,993,054	17	\$ 3,765,476	\$ 80,969,900	17	\$ 11,019,737	91.8%
15 2030	\$ 31,554,144	5	\$ 7,114,417	\$ 3,899,586	15	\$ 357,473	\$ 40,163,405	16	\$ 3,878,440	\$ 75,617,135	16	\$ 11,350,330	92.9%
16 2031	\$ 26,544,321	4	\$ 7,327,849	\$ 3,821,418	14	\$ 368,197	\$ 39,154,409	15	\$ 3,994,793	\$ 69,520,148	15	\$ 11,690,840	93.9%
17 2032	\$ 20,937,470	3	\$ 7,547,685	\$ 3,726,270	13	\$ 379,243	\$ 37,949,100	14	\$ 4,114,637	\$ 62,612,839	14	\$ 12,041,565	94.9%
18 2033	\$ 14,682,174	2	\$ 7,774,115	\$ 3,612,532	12	\$ 390,621	\$ 36,529,136	13	\$ 4,238,076	\$ 54,823,842	13	\$ 12,402,812	95.9%
19 2034	\$ 7,722,963	1	\$ 8,007,339	\$ 3,478,468	11	\$ 402,339	\$ 34,874,690	12	\$ 4,365,218	\$ 46,076,121	12	\$ 12,774,896	96.8%
20 2035				\$ 3,322,199	10	\$ 414,409	\$ 32,964,337	11	\$ 4,496,175	\$ 36,286,536	11	\$ 4,910,584	97.6%
21 2036				\$ 3,141,695	9	\$ 426,842	\$ 30,774,929	10	\$ 4,631,060	\$ 33,916,624	10	\$ 5,057,902	98.0%
22 2037				\$ 2,934,763	8	\$ 439,647	\$ 28,281,464	9	\$ 4,769,992	\$ 31,216,227	9	\$ 5,209,639	98.3%
23 2038				\$ 2,699,035	7	\$ 452,836	\$ 25,456,941	8	\$ 4,913,092	\$ 28,155,975	8	\$ 5,365,928	98.5%
24 2039				\$ 2,431,951	6	\$ 466,421	\$ 22,272,210	7	\$ 5,060,484	\$ 24,704,161	7	\$ 5,526,906	98.8%
25 2040				\$ 2,130,752	5	\$ 480,414	\$ 18,695,804	6	\$ 5,212,299	\$ 20,826,555	6	\$ 5,692,713	99.1%
26 2041				\$ 1,792,454	4	\$ 494,827	\$ 14,693,762	5	\$ 5,368,668	\$ 16,486,217	5	\$ 5,863,494	99.3%
27 2042				\$ 1,413,841	3	\$ 509,671	\$ 10,229,441	4	\$ 4,423,782	\$ 11,643,282	4	\$ 4,933,454	99.6%
28 2043				\$ 991,441	2	\$ 524,961	\$ 6,409,974	3	\$ 3,417,372	\$ 7,401,415	3	\$ 3,942,333	99.7%
29 2044				\$ 521,507	1	\$ 540,710	\$ 3,347,516	2	\$ 2,346,595	\$ 3,869,023	2	\$ 2,887,306	99.9%
30 2045							\$ 1,165,578	1	\$ 1,208,497	\$ 1,165,578	1	\$ 1,208,497	100.0%

Sum of Pmts \$ 233,788,971

NPV Pmts @ 3% \$158,141,994

SAMPLE AMORTIZATION SCHEDULES



Attachment A

MISCELLANEOUS PLAN - ALTERNATIVE FUNDING SCHEDULES

MISCELLANEOUS UNFUNDED LIABILITY				
Current Plan - Status Quo				
Mixed Amortization Bases				
	Balance	Year	Payment	Funded
2013	\$ 94,748,969		-	70.1%
2014	\$ 97,814,567		-	71.4%
1 2016	\$ 100,610,330	30	5,452,620	72.7%
2 2017	\$ 102,502,708	29	6,144,405	74.2%
3 2018	\$ 103,819,756	28	6,872,789	75.8%
4 2019	\$ 104,480,378	27	7,639,346	77.4%
5 2020	\$ 104,395,764	26	8,445,711	79.0%
6 2021	\$ 103,468,747	25	8,699,083	80.7%
7 2022	\$ 102,209,502	24	8,960,055	82.4%
8 2023	\$ 100,585,232	23	9,228,857	83.9%
9 2024	\$ 98,560,442	22	9,505,722	85.4%
10 2025	\$ 96,096,733	21	9,790,894	86.8%
11 2026	\$ 93,152,572	20	10,084,621	88.1%
12 2027	\$ 89,683,058	19	10,387,159	89.4%
13 2028	\$ 85,639,651	18	10,698,774	90.6%
14 2029	\$ 80,969,900	17	11,019,737	91.8%
15 2030	\$ 75,617,135	16	11,350,330	92.9%
16 2031	\$ 69,520,148	15	11,690,840	93.9%
17 2032	\$ 62,612,839	14	12,041,565	94.9%
18 2033	\$ 54,823,842	13	12,402,812	95.9%
19 2034	\$ 46,076,121	12	12,774,896	96.8%
20 2035	\$ 36,286,536	11	4,910,584	97.6%
21 2036	\$ 33,916,624	10	5,057,902	98.0%
22 2037	\$ 31,216,227	9	5,209,639	98.3%
23 2038	\$ 28,155,975	8	5,365,928	98.5%
24 2039	\$ 24,704,161	7	5,526,906	98.8%
25 2040	\$ 20,826,555	6	5,692,713	99.1%
26 2041	\$ 16,486,217	5	5,863,494	99.3%
27 2042	\$ 11,643,282	4	4,933,454	99.6%
28 2043	\$ 7,401,415	3	3,942,333	99.7%
29 2044	\$ 3,869,023	2	2,887,306	99.9%
30 2045	\$ 1,165,578	1	1,208,497	100.0%
Sum of Pmts		\$ 233,788,971		
NPV Pmts @ 3%		\$158,141,994		
Year 80% Funded		2021		
Year 100% Funded		2045		

Alternative Funding Schedules																	
19 Year Fixed - Level % of Pay					15 Year Fixed - Level % of Pay					10 Year Fixed - Level Percent of Pay							
	Balance	Period	Payment	Pmt. Diff.	Funded		Balance	Period	Payment	Pmt. Diff.	Funded		Balance	Period	Payment	Pmt. Diff.	Funded
	\$ 94,748,969				70.1%		\$ 94,748,969				70.1%		\$ 94,748,969				70.1%
	\$ 97,814,567				71.4%		\$ 97,814,567				71.4%		\$ 97,814,567				71.4%
1 2016	\$ 100,610,330	19	\$ 7,850,319	\$ 2,397,698	72.7%	15	\$ 100,610,330	15	\$ 9,222,902	\$ 3,770,282	72.7%	10	\$ 100,610,330	10	\$ 12,550,082	\$ 7,097,462	72.7%
2 2017	\$ 100,016,721	18	\$ 8,085,828	\$ 1,941,423	74.8%	14	\$ 98,593,596	14	\$ 9,499,589	\$ 3,355,184	75.2%	9	\$ 95,143,902	9	\$ 12,926,585	\$ 6,782,180	76.1%
3 2018	\$ 99,134,410	17	\$ 8,328,403	\$ 1,455,614	76.9%	13	\$ 96,138,732	13	\$ 9,784,577	\$ 2,911,788	77.6%	8	\$ 88,877,126	8	\$ 13,314,383	\$ 6,441,594	79.3%
4 2019	\$ 97,934,419	16	\$ 8,578,255	\$ 938,909	78.8%	12	\$ 93,204,272	12	\$ 10,078,114	\$ 2,438,768	79.8%	7	\$ 81,738,265	7	\$ 13,713,814	\$ 6,074,468	82.3%
5 2020	\$ 96,385,376	15	\$ 8,835,603	\$ 389,891	80.6%	11	\$ 89,745,381	11	\$ 10,380,458	\$ 1,934,746	82.0%	6	\$ 73,649,850	6	\$ 14,125,228	\$ 5,679,517	85.2%
6 2021	\$ 94,453,332	14	\$ 9,100,671	\$ 401,588	82.4%	10	\$ 85,713,597	10	\$ 10,691,871	\$ 1,992,789	84.0%	5	\$ 64,528,240	5	\$ 14,548,985	\$ 5,849,903	88.0%
7 2022	\$ 92,101,556	13	\$ 9,373,691	\$ 413,636	84.1%	9	\$ 81,056,548	9	\$ 11,012,628	\$ 2,052,573	86.0%	4	\$ 54,283,150	4	\$ 14,985,455	\$ 6,025,400	90.6%
8 2023	\$ 89,290,323	12	\$ 9,654,902	\$ 426,045	85.7%	8	\$ 75,717,654	8	\$ 11,343,006	\$ 2,114,150	87.9%	3	\$ 42,817,136	3	\$ 15,435,018	\$ 6,206,162	93.1%
9 2024	\$ 85,976,682	11	\$ 9,944,549	\$ 438,826	87.2%	7	\$ 69,635,799	7	\$ 11,683,297	\$ 2,177,574	89.7%	2	\$ 30,025,053	2	\$ 15,898,069	\$ 6,392,347	95.5%
10 2025	\$ 82,114,205	10	\$ 10,242,885	\$ 451,991	88.7%	6	\$ 62,744,984	6	\$ 12,033,795	\$ 2,242,901	91.4%	1	\$ 15,793,463	1	\$ 16,375,011	\$ 6,584,117	97.8%
11 2026	\$ 77,652,722	9	\$ 10,550,172	\$ 465,551	90.1%	5	\$ 54,973,953	5	\$ 12,394,809	\$ 2,310,188	93.0%		\$ -		\$ -	\$ (10,084,621)	100.0%
12 2027	\$ 72,538,025	8	\$ 10,866,677	\$ 479,517	91.4%	4	\$ 46,245,788	4	\$ 12,766,654	\$ 2,379,494	94.5%		\$ -		\$ -	\$ (10,387,159)	
13 2028	\$ 66,711,566	7	\$ 11,192,677	\$ 493,903	92.7%	3	\$ 36,477,474	3	\$ 13,149,653	\$ 2,450,879	96.0%		\$ -		\$ -	\$ (10,698,774)	
14 2029	\$ 60,110,119	6	\$ 11,528,457	\$ 508,720	93.9%	2	\$ 25,579,434	2	\$ 13,544,143	\$ 2,524,405	97.4%		\$ -		\$ -	\$ (11,019,737)	
15 2030	\$ 52,665,419	5	\$ 11,874,311	\$ 523,982	95.0%	1	\$ 13,455,025	1	\$ 13,950,467	\$ 2,600,137	98.7%		\$ -		\$ -	\$ (11,350,330)	
16 2031	\$ 44,303,778	4	\$ 12,230,540	\$ 539,701	96.1%		\$ -		\$ -	\$ (11,690,840)	100.0%		\$ -		\$ -	\$ (11,690,840)	
17 2032	\$ 34,945,667	3	\$ 12,597,457	\$ 555,892	97.2%		\$ -		\$ -	\$ (12,041,565)			\$ -		\$ -	\$ (12,041,565)	
18 2033	\$ 24,505,271	2	\$ 12,975,380	\$ 572,569	98.2%		\$ -		\$ -	\$ (12,402,812)			\$ -		\$ -	\$ (12,402,812)	
19 2034	\$ 12,890,005	1	\$ 13,364,642	\$ 589,746	99.1%		\$ -		\$ -	\$ (12,774,896)			\$ -		\$ -	\$ (12,774,896)	
20 2035	\$ -		\$ -	\$ (4,910,584)	100.0%		\$ -		\$ -	\$ (4,910,584)			\$ -		\$ -	\$ (4,910,584)	
21 2036				\$ (5,057,902)			\$ -		\$ -	\$ (5,057,902)			\$ -		\$ -	\$ (5,057,902)	
22 2037				\$ (5,209,639)			\$ -		\$ -	\$ (5,209,639)			\$ -		\$ -	\$ (5,209,639)	
23 2038				\$ (5,365,928)			\$ -		\$ -	\$ (5,365,928)			\$ -		\$ -	\$ (5,365,928)	
24 2039				\$ (5,526,906)			\$ -		\$ -	\$ (5,526,906)			\$ -		\$ -	\$ (5,526,906)	
25 2040				\$ (5,692,713)			\$ -		\$ -	\$ (5,692,713)			\$ -		\$ -	\$ (5,692,713)	
26 2041				\$ (5,863,494)			\$ -		\$ -	\$ (5,863,494)			\$ -		\$ -	\$ (5,863,494)	
27 2042				\$ (4,933,454)			\$ -		\$ -	\$ (4,933,454)			\$ -		\$ -	\$ (4,933,454)	
28 2043				\$ (3,942,333)			\$ -		\$ -	\$ (3,942,333)			\$ -		\$ -	\$ (3,942,333)	
29 2044				\$ (2,887,306)			\$ -		\$ -	\$ (2,887,306)			\$ -		\$ -	\$ (2,887,306)	
30 2045				\$ (1,208,497)			\$ -		\$ -	\$ (1,208,497)			\$ -		\$ -	\$ (1,208,497)	
Sum of Pmts		\$ 197,175,418		\$ (36,613,553)		Sum of Pmts		\$ 171,535,964		\$ (62,253,007)		Sum of Pmts		\$ 143,872,631		\$ (89,916,340)	
Status Quo Pmts		\$ 233,788,971				Status Quo Pmts		\$ 233,788,971				Status Quo Pmts		\$ 233,788,971			
Gross Pmt (Savings)		\$ (36,613,553)				Gross Pmt (Savings)		\$ (62,253,007)				Gross Pmt (Savings)		\$ (89,916,340)			
NPV Pmts @ 3%		\$144,811,701				NPV Pmts @ 3%		\$134,314,110				NPV Pmts @ 3%		\$121,845,461			
NPV Status Quo Pmts		\$158,141,994				NPV Status Quo Pmts		\$158,141,994				NPV Status Quo Pmts		\$158,141,994			
PV(Savings)		\$ (13,330,293)		\$ (13,330,293)		PV(Savings)		\$ (23,827,884)		\$ (23,827,884)		PV(Savings)		\$ (36,296,533)		\$ (36,296,533)	
Year 80% Funded		2020				Year 80% Funded		2020				Year 80% Funded		2019			
Year 100% Funded		2035				Year 100% Funded		2031				Year 100% Funded		2026			

SAFETY PLAN - AMORTIZATION BASES

CALPERS ACTUARIAL VALUATION - June 30, 2013
 SAFETY PLAN OF THE CITY OF NEWPORT BEACH
 CalPERS ID: 1545983430

Schedule of Amortization Bases

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

- The assets, liabilities and funded status of the plan are measured as of the valuation date; June 30, 2013.
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date; fiscal year 2015-16.

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

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

Reason for Base	Date Established	Amortization Period	Balance 6/30/13	Expected Payment 2013-14	Balance 6/30/14	Expected Payment 2014-15	Amounts for Fiscal 2015-16		
							Balance 6/30/15	Scheduled Payment for 2015-16	Payment as Percentage of Payroll
FORCED FS OLD METHOD	06/30/11	24	\$115,986,951	\$7,501,900	\$116,907,836	\$7,726,957	\$117,664,444	\$7,958,766	25.325%
PAYMENT (GAIN)/LOSS	06/30/12	29	\$437,717	\$(497,509)	\$986,374	\$59,232	\$998,939	\$61,009	0.194%
(GAIN)/LOSS	06/30/12	29	\$9,655,596	\$0	\$10,379,766	\$623,310	\$10,511,986	\$642,010	2.043%
(GAIN)/LOSS	06/30/13	30	\$37,123,188	\$(113,688)	\$40,025,301	\$(138,934)	\$43,171,248	\$607,205	1.932%
TOTAL			\$163,203,452	\$6,890,703	\$168,299,277	\$8,270,565	\$172,346,617	\$9,268,990	29.495%

Attachment A

SAFETY PLAN - CURRENT AMORTIZATION SCHEDULE

CURRENT FUNDING SCHEDULE													SAFETY UNFUNDED LIABILITY				
2011 Fresh Start			2012 Base 1			2012 Base 2			2013 Base			Cash Flow - Option 1 - Status Quo					
30 Yr Fixed - Level % of Pay			30 Yr Fixed - Level % of Pay			30 Yr Fixed - Level % of Pay			Fixed 30 Yr with 5 Yr Ramps			Mixed Amort					
Balance	Period	Payment	Balance	Period	Payment	Balance	Period	Payment	Balance	Period	Payment	Balance	Period	Payment	Funded		
2013												163,203,452			● 62.7%		
2014												168,299,277			● 63.5%		
1 2016		\$ 117,664,444	24		\$ 7,958,766	\$ 998,939	29	\$ 61,009	\$10,511,986	29	\$ 642,010	\$ 43,171,248	30	\$ 607,205	\$ 172,346,617	● 64.6%	
2 2017		\$ 118,237,453	23		\$ 8,197,529	\$ 1,010,604	28	\$ 62,840	\$10,634,735	28	\$ 661,270	\$ 45,779,528	29	\$ 1,250,843	\$ 175,662,320	● 65.8%	
3 2018		\$ 118,605,883	22		\$ 8,443,455	\$ 1,021,246	27	\$ 64,725	\$10,746,721	27	\$ 681,108	\$ 47,916,091	28	\$ 1,932,552	\$ 178,289,940	● 67.0%	
4 2019		\$ 118,746,963	21		\$ 8,696,759	\$ 1,030,731	26	\$ 66,666	\$10,846,537	26	\$ 701,541	\$ 49,506,086	27	\$ 2,654,038	\$ 180,130,317	● 68.4%	
5 2020		\$ 118,635,994	20		\$ 8,957,661	\$ 1,038,914	25	\$ 68,666	\$10,932,654	25	\$ 722,588	\$ 50,467,278	26	\$ 3,417,074	\$ 181,074,840	● 69.9%	
6 2021		\$ 118,246,193	19		\$ 9,226,391	\$ 1,045,638	24	\$ 70,726	\$11,003,408	24	\$ 744,265	\$ 50,709,426	25	\$ 3,519,586	\$ 181,004,665	● 71.4%	
7 2022		\$ 117,548,531	18		\$ 9,503,183	\$ 1,050,730	23	\$ 72,848	\$11,056,993	23	\$ 766,593	\$ 50,863,449	24	\$ 3,625,173	\$ 180,519,703	● 73.0%	
8 2023		\$ 116,511,561	17		\$ 9,788,279	\$ 1,054,004	22	\$ 75,034	\$11,091,447	22	\$ 789,591	\$ 50,919,548	23	\$ 3,733,928	\$ 179,576,560	● 74.5%	
9 2024		\$ 115,101,225	16		\$10,081,927	\$ 1,055,258	21	\$ 77,285	\$11,104,640	21	\$ 813,279	\$ 50,867,095	22	\$ 3,845,946	\$ 178,128,217	● 76.0%	
10 2025		\$ 113,280,652	15		\$10,384,385	\$ 1,054,272	20	\$ 79,603	\$11,094,263	20	\$ 837,677	\$ 50,694,565	21	\$ 3,961,325	\$ 176,123,752	● 77.5%	
11 2026		\$ 111,009,942	14		\$10,695,916	\$ 1,050,808	19	\$ 81,991	\$11,057,810	19	\$ 862,807	\$ 50,389,468	20	\$ 4,080,164	\$ 173,508,028	● 79.0%	
12 2027		\$ 108,245,925	13		\$11,016,794	\$ 1,044,608	18	\$ 84,451	\$10,992,568	18	\$ 888,692	\$ 49,938,274	19	\$ 4,202,569	\$ 170,221,376	● 80.4%	
13 2028		\$ 104,941,915	12		\$11,347,298	\$ 1,035,393	17	\$ 86,985	\$10,895,596	17	\$ 915,352	\$ 49,326,328	18	\$ 4,328,646	\$ 166,199,231	● 81.9%	
14 2029		\$ 101,047,430	11		\$11,687,717	\$ 1,022,860	16	\$ 89,594	\$10,763,708	16	\$ 942,813	\$ 48,537,766	17	\$ 4,458,506	\$ 161,371,764	● 83.3%	
15 2030		\$ 96,507,905	10		\$12,038,348	\$ 1,006,681	15	\$ 92,282	\$10,593,457	15	\$ 971,097	\$ 47,555,421	16	\$ 4,592,261	\$ 155,663,464	● 84.7%	
16 2031		\$ 91,264,373	9		\$12,399,498	\$ 986,502	14	\$ 95,050	\$10,381,111	14	\$1,000,230	\$ 46,360,720	15	\$ 4,730,029	\$ 148,992,706	● 86.1%	
17 2032		\$ 85,253,127	8		\$12,771,483	\$ 961,939	13	\$ 97,902	\$10,122,634	13	\$1,030,237	\$ 44,933,576	14	\$ 4,871,930	\$ 141,271,276	● 87.5%	
18 2033		\$ 78,405,356	7		\$13,154,628	\$ 932,578	12	\$ 100,839	\$ 9,813,659	12	\$1,061,144	\$ 43,252,270	13	\$ 5,018,088	\$ 132,403,862	● 88.9%	
19 2034		\$ 70,646,749	6		\$13,549,267	\$ 897,969	11	\$ 103,864	\$ 9,449,466	11	\$1,092,979	\$ 41,293,326	12	\$ 5,168,630	\$ 122,287,510	● 90.3%	
20 2035		\$ 61,897,076	5		\$13,955,745	\$ 857,628	10	\$ 106,980	\$ 9,024,951	10	\$1,125,768	\$ 39,031,375	11	\$ 5,323,689	\$ 110,811,031	● 91.7%	
21 2036		\$ 52,069,733	4		\$14,374,417	\$ 811,031	9	\$ 110,190	\$ 8,534,601	9	\$1,159,541	\$ 36,439,010	10	\$ 5,483,400	\$ 97,854,376	● 93.0%	
22 2037		\$ 41,071,250	3		\$14,805,650	\$ 757,611	8	\$ 113,495	\$ 7,972,459	8	\$1,194,327	\$ 33,486,626	9	\$ 5,647,902	\$ 83,287,946	● 94.4%	
23 2038		\$ 28,800,770	2		\$15,249,819	\$ 696,758	7	\$ 116,900	\$ 7,332,089	7	\$1,230,157	\$ 30,142,254	8	\$ 5,817,339	\$ 66,971,870	● 95.7%	
24 2039		\$ 15,149,479	1		\$15,707,314	\$ 627,810	6	\$ 120,407	\$ 6,606,541	6	\$1,267,062	\$ 26,371,377	7	\$ 5,991,859	\$ 48,755,207	● 97.0%	
25 2040					\$ 550,055	5	\$ 124,019	\$ 5,788,314	5	\$1,305,074	\$ 22,136,739	6	\$ 6,171,615	\$ 28,475,108	6	\$ 7,600,708	● 98.4%
26 2041					\$ 462,723	4	\$ 127,740	\$ 4,869,309	4	\$1,344,226	\$ 17,398,128	5	\$ 6,356,763	\$ 22,730,160	5	\$ 7,828,729	● 98.8%
27 2042					\$ 364,984	3	\$ 131,572	\$ 3,840,784	3	\$1,384,553	\$ 12,112,155	4	\$ 5,237,973	\$ 16,317,923	4	\$ 6,754,098	● 99.2%
28 2043					\$ 255,941	2	\$ 135,519	\$ 2,693,308	2	\$1,426,089	\$ 7,589,721	3	\$ 4,046,334	\$ 10,538,970	3	\$ 5,607,942	● 99.5%
29 2044					\$ 134,628	1	\$ 139,585	\$ 1,416,706	1	\$1,468,872	\$ 3,963,621	2	\$ 2,778,483	\$ 5,514,954	2	\$ 4,386,939	● 99.7%
30 2045											\$ 1,380,100	1	\$ 1,430,919	\$ 1,380,100	1	\$ 1,430,919	● 99.9%

Sum of Pmts \$ 430,066,706

NPV Pmts @ 3% \$281,878,256



California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone · (916) 795-2744 fax
www.calpers.ca.gov

October 2014

**SAFETY PLAN OF THE CITY OF NEWPORT BEACH (CalPERS ID: 1545983430)
Annual Valuation Report as of June 30, 2013**

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2013 actuarial valuation report of your pension plan. Your 2013 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the Actuarial Certification Section on page 1, is available to discuss the report with you after October 31, 2014.

Future Contribution Rates

The exhibit below displays the Minimum Employer Contribution Rate for fiscal year 2015-16 and a projected contribution rate for 2016-17, before any cost sharing. The projected rate for 2016-17 is based on the most recent information available, including an estimate of the investment return for fiscal year 2013-14, namely 18 percent, and the impact of the actuarial assumptions adopted by the CalPERS Board in February 2014 that will impact employer rates for the first time in fiscal year 2016-17. For a projection of employer rates beyond 2016-17, please refer to the "Projected Rates" in the "Risk Analysis" section, which includes rate projections through 2020-21 under a variety of investment return scenarios. Please disregard any projections that we may have provided you in the past.

Fiscal Year	Employer Contribution Rate
2015-16	46.910%
2016-17	49.9% (projected)

Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the above rates. **The employer contribution rates in this report do not reflect any cost sharing arrangement you may have with your employees.**

The estimate for 2016-17 also assumes that there are no future contract amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). This is a very important assumption because these gains and losses do occur and can have a significant impact on your contribution rate. Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate of one or two percent of payroll and may be even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rates are just estimates. Your actual rate for 2016-17 will be provided in next year's report.

Changes since the Prior Year's Valuation

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. The impact of the PEPRA changes are included in the rates and the benefit provision listings of the June 30, 2013 valuation for the 2015-16 rates. For more information on PEPRA, please refer to the CalPERS website.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Besides the above noted changes, there may also be changes specific to your plan such as contract amendments and funding changes.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A, "Actuarial Methods and Assumptions." The effect of the changes on your rate is included in the "Reconciliation of Required Employer Contributions."

We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after October 31 to contact us with actuarial questions. If you have other questions, you may call the Customer Contact Center at (888)-CalPERS or **(888-225-7377)**.

Sincerely,



ALAN MILLIGAN
Chief Actuary



ACTUARIAL VALUATION
as of June 30, 2013

for the
SAFETY PLAN
of the
CITY OF NEWPORT BEACH
(CalPERS ID: 1545983430)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2015 – June 30, 2016

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ACTUARIAL CERTIFICATION

To the best of our knowledge, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the SAFETY PLAN OF THE CITY OF NEWPORT BEACH. This valuation is based on the member and financial data as of June 30, 2013 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The undersigned is an actuary for CalPERS, who is a member of the American Academy of Actuaries and the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



KERRY J. WORGAN, MAAA, FSA, FCIA
Senior Pension Actuary, CalPERS

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HIGHLIGHTS AND EXECUTIVE SUMMARY

- **INTRODUCTION**
- **PURPOSE OF THE REPORT**
- **REQUIRED EMPLOYER CONTRIBUTION**
- **PLAN'S FUNDED STATUS**
- **COST**
- **CHANGES SINCE THE PRIOR YEAR'S VALUATION**
- **SUBSEQUENT EVENTS**

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Introduction

This report presents the results of the June 30, 2013 actuarial valuation of the SAFETY PLAN OF THE CITY OF NEWPORT BEACH of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the fiscal year 2015-16 required employer contribution rates.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. The impact of most of the PEPRA changes are included in the rates and the benefit provision listings of the June 30, 2013 valuation, which sets the 2015-16 contribution rates. For more information on PEPRA, please refer to the CalPERS website.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy, which spread investment returns over a 15-year period while experience gains and losses were amortized over a rolling 30-year period. Effective with the June 30, 2013 valuations, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. The new amortization and smoothing policy is used in this valuation.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Purpose of the Report

The actuarial valuation was prepared by the CalPERS Actuarial Office using data as of June 30, 2013. The purpose of the report is to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2013;
- Determine the required employer contribution rate for the fiscal year July 1, 2015 through June 30, 2016;
- Provide actuarial information as of June 30, 2013 to the CalPERS Board of Administration and other interested parties; and to
- Provide pension information as of June 30, 2013 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

California Actuarial Advisory Panel Recommendations

This report includes all the basic disclosure elements as described in the *Model Disclosure Elements for Actuarial Valuation Reports* recommended in 2011 by the California Actuarial Advisory Panel (CAAP), with the exception of including the original base amounts of the various components of the unfunded liability in the Schedule of Amortization Bases shown on page 19.

Additionally, this report includes the following "Enhanced Risk Disclosures" also recommended by the CAAP in the Model Disclosure Elements document:

- A "Deterministic Stress Test," projecting future results under different investment income scenarios
- A "Sensitivity Analysis," showing the impact on current valuation results using a 1 percent plus or minus change in the discount rate.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contribution

	Fiscal Year 2014-15	Fiscal Year 2015-16
Actuarially Determined Employer Contributions		
1. Contribution in Projected Dollars		
a) Total Normal Cost	\$ 8,223,593	\$ 8,301,212
b) Employee Contribution ¹	2,796,929	2,828,352
c) Employer Normal Cost [(1a) – (1b)]	5,426,664	5,472,860
d) Unfunded Liability Contribution	8,409,499	9,268,990
e) Required Employer Contribution [(1c) + (1d)]	\$ 13,836,163	\$ 14,741,850
Projected Annual Payroll for Contribution Year	\$ 31,076,988	\$ 31,426,132
2. Contribution as a Percentage of Payroll		
a) Total Normal Cost	26.462%	26.415%
b) Employee Contribution ¹	9.000%	9.000%
c) Employer Normal Cost [(2a) – (2b)]	17.462%	17.415%
d) Unfunded Liability Rate	27.060%	29.495%
e) Required Employer Rate [(2c) + (2d)]	44.522%	46.910%
Minimum Employer Contribution Rate²	44.522%	46.910%
Annual Lump Sum Prepayment Option ³	\$ 13,344,781	\$ 14,218,303

¹For classic members this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

²The Minimum Employer Contribution Rate under PEPRA is the greater of the required employer rate or the employer normal cost.

³Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30. If there is contractual cost sharing or other change, this amount will change.

Plan's Funded Status

	June 30, 2012	June 30, 2013
1. Present Value of Projected Benefits	\$ 496,438,761	\$ 508,922,056
2. Entry Age Normal Accrued Liability	424,868,507	437,688,131
3. Market Value of Assets (MVA)	\$ 252,131,503	\$ 274,484,679
4. Unfunded Liability [(2) – (3)]	\$ 172,737,004	\$ 163,203,452
5. Funded Ratio [(3) / (2)]	59.3%	62.7%
Superfunded Status	No	No

Cost

Actuarial Cost Estimates in General

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

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

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long-term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5 percent for the past twenty year period ending June 30, 2013, returns for each fiscal year ranged from negative -24 percent to +21.7 percent.

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

- The Normal Cost (i.e., the annual cost associated with one year of service accrual) expressed as a percentage of total active payroll.
- The Past Service Cost or Accrued Liability (i.e., the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the employer rate will vary depending on the amortization period chosen.

Changes since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" and Appendix B for a summary of the plan provisions used in this valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on your employer contribution rate is shown in the "Reconciliation of Required Employer Contributions." It should be noted that no change in liability or rate is shown for any plan changes, which were already included in the prior year's valuation.

Actuarial Methods and Assumptions

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and rate smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate phased in over a 5-year period.

A change in the calculation of termination with vested benefits liability for active members was made this year to better reflect the retirement experience. After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54 rather than at earliest retirement age. The higher benefit factors at these ages results in a slightly higher liability and a modest increase in normal cost.

Public Employees' Pension Reform Act of 2013 (PEPRA)

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect, requiring that a public employer's contribution to a defined benefit plan, in combination with employee contributions to that defined benefit plan, shall not be less than the normal cost rate. Beginning July 1, 2013, this means that some plans with surplus will be paying more than they otherwise would. For more information on PEPRA, please refer to the CalPERS website.

Subsequent Events

Actuarial Methods and Assumptions

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns (see Risk Analysis section of report). The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent.

The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy. The impact of assumption changes are included in the "Expected Rate Increases" subsection of the "Risk Analysis" section.

ASSETS

- **RECONCILIATION OF THE MARKET VALUE OF ASSETS**
- **ASSET ALLOCATION**
- **CALPERS HISTORY OF INVESTMENT RETURNS**

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Reconciliation of the Market Value of Assets

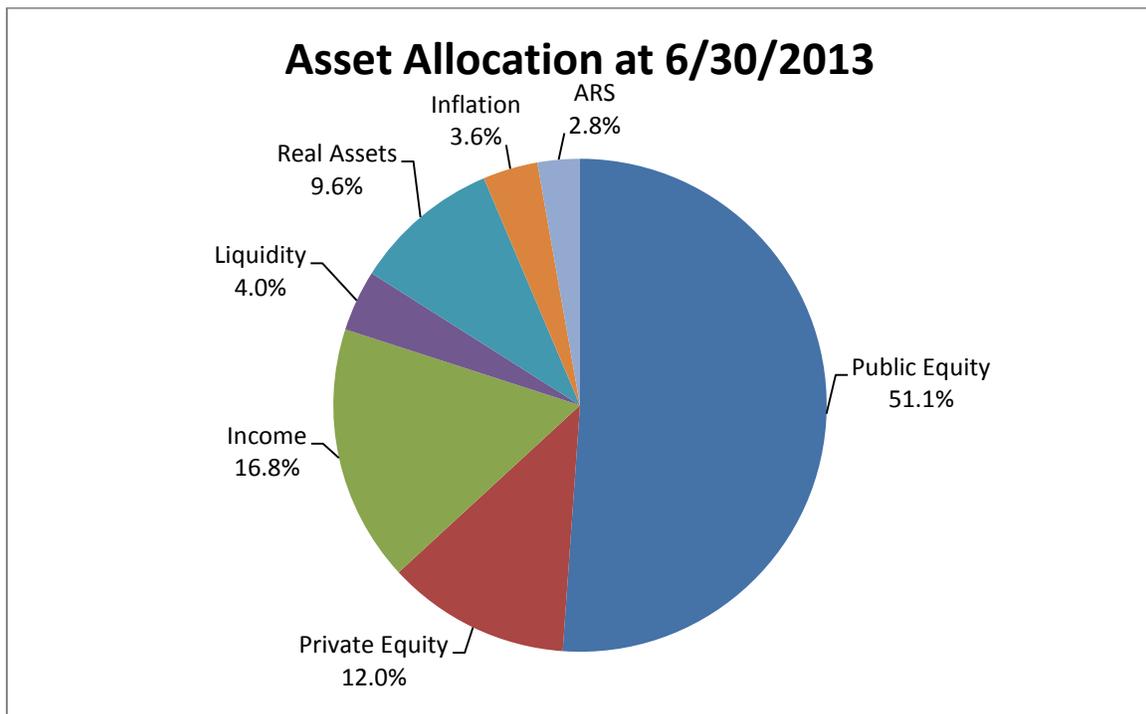
1.	Market Value of Assets as of 6/30/12 Including Receivables	\$	252,131,503
2.	Receivables for Service Buybacks as of 6/30/12		960,526
3.	Market Value of Assets as of 6/30/12		251,170,977
4.	Employer Contributions		10,923,744
5.	Employee Contributions		3,056,427
6.	Benefit Payments to Retirees and Beneficiaries		(23,601,658)
7.	Refunds		(51,347)
8.	Lump Sum Payments		0
9.	Transfers and Miscellaneous Adjustments		359
10.	Investment Return		31,941,162
11.	Market Value of Assets as of 6/30/13	\$	273,439,664
12.	Receivables for Service Buybacks as of 6/30/13		1,045,015
13.	Market Value of Assets as of 6/30/13 Including Receivables	\$	274,484,679

Asset Allocation

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. CalPERS recognizes that over 90 percent of the variation in investment returns of a well-diversified pool of assets can typically be attributed to asset allocation decisions. On February 19, 2014 the CalPERS Board of Administration adopted changes to the current asset allocation as shown in the Policy Target Allocation below expressed as percentage of total assets. The asset allocation is has an expected long term blended rate of return of 7.5 percent.

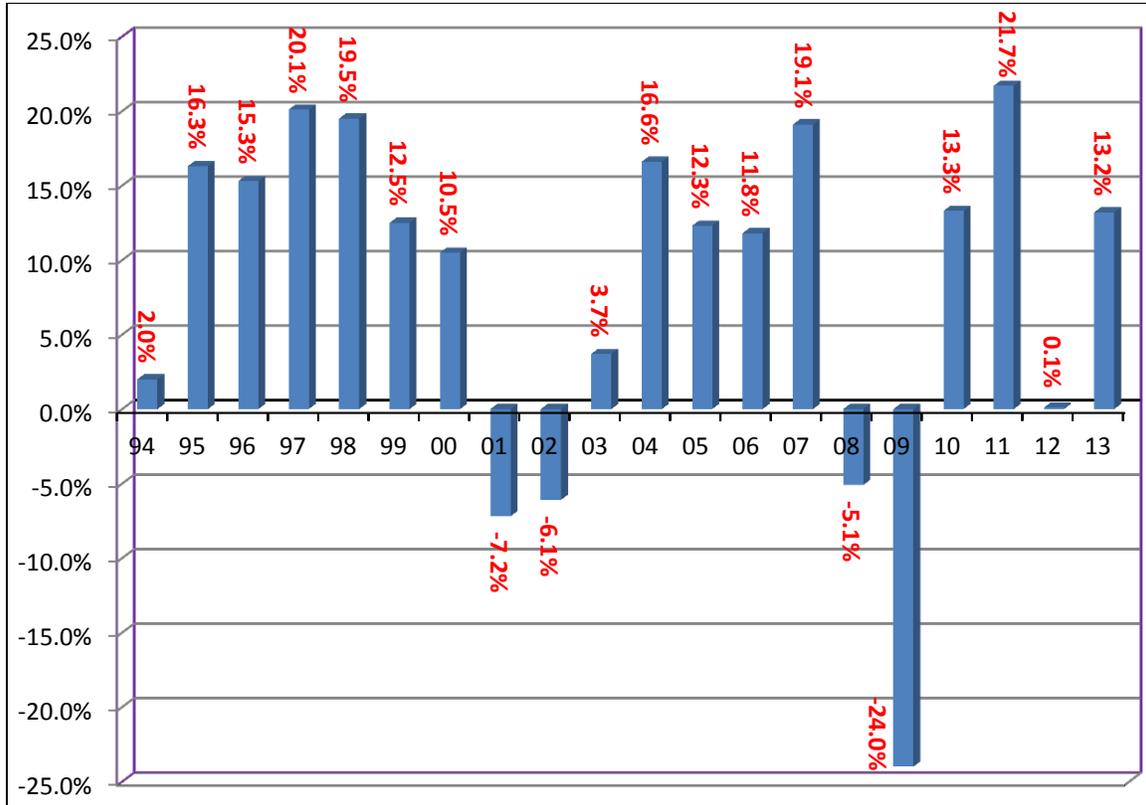
The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirety as of June 30, 2013. The assets for CITY OF NEWPORT BEACH SAFETY PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value (\$ Billion)	(C) Policy Target Allocation
1) Global Equity	133.4	47.0%
2) Private Equity	31.4	12.0%
3) Global Fixed Income	43.9	19.0%
4) Liquidity	10.5	2.0%
5) Real Assets	25.2	14.0%
6) Inflation Sensitive Assets	9.4	6.0%
7) Absolute Return Strategy (ARS)	7.2	0.0%
Total Fund	\$261.0	100.0%



CalPERS History of Investment Returns

The following is a chart with the 20-year historical annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30. Beginning in 2002, the figures are reported as gross of fees.



The table below shows historical geometric mean annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30, 2013, (figures are reported as gross of fees). The geometric mean rate of return is the average rate per period compounded over multiple periods. It should be recognized that in any given year the rate of return is volatile. Although the expected rate of return on the recently adopted new asset allocation is 7.5 percent the portfolio has an expected volatility of 11.76 percent per year. Consequently when looking at investment returns it is more instructive to look at returns over longer time horizons.

History of CalPERS Geometric Mean Rates of Return and Volatilities					
	1 year	5 year	10 year	20 year	30 year
Geometric Return	13.2%	3.5%	7.0%	7.6%	9.4%
Volatility	-	17.9%	13.9%	11.8%	11.6%

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LIABILITIES AND RATES

- **DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES**
- **(GAIN) / LOSS ANALYSIS 06/30/12 - 06/30/13**
- **SCHEDULE OF AMORTIZATION BASES**
- **ALTERNATE AMORTIZATION SCHEDULES**
- **RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS**
- **EMPLOYER CONTRIBUTION RATE HISTORY**
- **FUNDING HISTORY**

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Development of Accrued and Unfunded Liabilities

1. Present Value of Projected Benefits		
a) Active Members	\$	174,855,784
b) Transferred Members		6,922,065
c) Terminated Members		3,472,891
d) Members and Beneficiaries Receiving Payments		<u>323,671,316</u>
e) Total	\$	508,922,056
2. Present Value of Future Employer Normal Costs	\$	46,018,961
3. Present Value of Future Employee Contributions	\$	25,214,964
4. Entry Age Normal Accrued Liability		
a) Active Members [(1a) - (2) - (3)]	\$	103,621,859
b) Transferred Members (1b)		6,922,065
c) Terminated Members (1c)		3,472,891
d) Members and Beneficiaries Receiving Payments (1d)		<u>323,671,316</u>
e) Total	\$	437,688,131
5. Market Value of Assets (MVA)	\$	274,484,679
6. Unfunded Liability [(4e) - (5)]	\$	163,203,452
7. Funded Ratio [(5) / (4e)]		62.7%

(Gain) /Loss Analysis 6/30/12 – 6/30/13

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

A Total (Gain)/Loss for the Year		
1.	Unfunded Accrued Liability (UAL) as of 6/30/12	\$ 122,502,809
2.	Expected Payment on the UAL during 2012/2013	5,411,011
3.	Interest through 6/30/13 $ [.075 \times (A1) - ((1.075)^{1/2} - 1) \times (A2)]$	8,988,466
4.	Expected UAL before all other changes $ [(A1) - (A2) + (A3)]$	126,080,264
5.	Change due to plan changes	0
6.	Change due to assumption change	0
7.	Expected UAL after all other changes $ [(A4) + (A5) + (A6)]$	126,080,264
8.	Actual UAL as of 6/30/13	163,203,452
9.	Total (Gain)/Loss for 2012/2013 $ [(A8) - (A7)]$	\$ 37,123,188
B Contribution (Gain)/Loss for the Year		
1.	Expected Contribution (Employer and Employee)	\$ 13,162,535
2.	Interest on Expected Contributions	484,672
3.	Actual Contributions	13,980,171
4.	Interest on Actual Contributions	514,779
5.	Expected Contributions with Interest $ [(B1) + (B2)]$	13,647,207
6.	Actual Contributions with Interest $ [(B3) + (B4)]$	14,494,950
7.	Contribution (Gain)/Loss $ [(B5) - (B6)]$	\$ (847,743)
C Asset (Gain)/Loss for the Year		
1.	Actuarial Value of Assets as of 6/30/12 Including Receivables	\$ 302,365,698
2.	Receivables as of 6/30/12	960,526
3.	Actuarial Value of Assets as of 6/30/12	301,405,172
4.	Contributions Received	13,980,171
5.	Benefits and Refunds Paid	(23,653,005)
6.	Transfers and miscellaneous adjustments	359
7.	Expected Int. $ [.075 \times (C3) + ((1.075)^{1/2} - 1) \times ((C4) + (C5) + (C6))]$	22,249,227
8.	Expected Assets as of 6/30/13 $ [(C3) + (C4) + (C5) + (C6) + (C7)]$	313,981,924
9.	Receivables as of 6/30/13	1,045,015
10.	Expected Assets Including Receivables	315,026,939
11.	Market Value of Assets as of 6/30/13	274,484,679
12.	Asset (Gain)/Loss $ [(C10) - (C11)]$	\$ 40,542,260
D Liability (Gain)/Loss for the Year		
1.	Total (Gain)/Loss (A9)	\$ 37,123,188
2.	Contribution (Gain)/Loss (B7)	(847,743)
3.	Asset (Gain)/Loss (C12)	40,542,260
4.	Liability (Gain)/Loss $ [(D1) - (D2) - (D3)]$	\$ (2,571,329)

Schedule of Amortization Bases

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

- The assets, liabilities and funded status of the plan are measured as of the valuation date; June 30, 2013.
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date; fiscal year 2015-16.

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

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

Reason for Base	Date Established	Amortization Period	Balance 6/30/13	Expected Payment 2013-14	Balance 6/30/14	Expected Payment 2014-15	Amounts for Fiscal 2015-16		
							Balance 6/30/15	Scheduled Payment for 2015-16	Payment as Percentage of Payroll
FORCED FS OLD METHOD	06/30/11	24	\$115,986,951	\$7,501,900	\$116,907,836	\$7,726,957	\$117,664,444	\$7,958,766	25.325%
PAYMENT (GAIN)/LOSS	06/30/12	29	\$437,717	\$(497,509)	\$986,374	\$59,232	\$998,939	\$61,009	0.194%
(GAIN)/LOSS	06/30/12	29	\$9,655,596	\$0	\$10,379,766	\$623,310	\$10,511,986	\$642,010	2.043%
(GAIN)/LOSS	06/30/13	30	\$37,123,188	\$(113,688)	\$40,025,301	\$(138,934)	\$43,171,248	\$607,205	1.932%
TOTAL			\$163,203,452	\$6,890,703	\$168,299,277	\$8,270,565	\$172,346,617	\$9,268,990	29.495%

Alternate Amortization Schedules

The amortization schedule shown on the previous page shows the minimum contributions required according to CalPERS amortization policy. There has been considerable interest from many agencies in paying off these unfunded accrued liabilities sooner and the possible savings in doing so. Therefore, we have provided alternate amortization schedules to help analyze your current amortization schedule and illustrate the advantages of accelerating payments towards your plan's unfunded liability of \$172,346,617 as of June 30, 2015, which under the minimum schedule, will require total payments of \$430,066,708. Shown below are the level rate payments required to amortize your plan's unfunded liability assuming a fresh start over the various periods noted. Note that the payments under each scenario would increase by 3 percent for each year into the future.

Period	Level Rate of Payroll Amortization				
	2015-16 Rate	2015-16 Payment	Total Payments	Total Interest	Difference from Current Schedule
25	36.247%	\$ 11,391,152	\$ 415,313,038	\$ 242,966,421	\$ 14,753,670
20	41.409%	\$ 13,013,105	\$ 349,667,004	\$ 177,320,387	\$ 80,399,704

If you are interested in changing your plan's amortization schedule please contact your plan actuary to discuss further.

Reconciliation of Required Employer Contributions

	Percentage of Projected Payroll	Estimated \$ Based on Projected Payroll
1. Contribution for 7/1/14 – 6/30/15	44.522%	\$ 13,836,163
2. Effect of changes since the prior year annual valuation		
a) Effect of unexpected changes in demographics and financial results	2.388%	750,241
b) Effect of plan changes	0.000%	0
c) Effect of changes in Assumptions	0.000%	0
d) Effect of change in payroll	-	155,446
e) Effect of elimination of amortization base	0.000%	0
f) Effect of changes due to Fresh Start	0.000%	0
g) Net effect of the changes above [Sum of (a) through (f)]	2.388%	905,687
3. Contribution for 7/1/15 – 6/30/16 [(1)+(2g)]	46.910%	14,741,850

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

Employer Contribution Rate History

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

Required By Valuation

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2010 - 2011	15.407%	14.795%	30.202%
2011 - 2012	16.461%	18.567%	35.028%
2012 - 2013	16.094%	19.840%	35.934%
2013 - 2014	16.856%	23.821%	40.677%
2014 - 2015	17.462%	27.060%	44.522%
2015 - 2016	17.415%	29.495%	46.910%

Funding History

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

Valuation Date	Accrued Liability	Market Value of Assets (MVA)	Funded Ratio	Annual Covered Payroll
06/30/08	\$ 336,060,918	\$ 272,104,409	81.0%	\$ 28,055,510
06/30/09	366,918,353	200,973,963	54.8%	30,252,789
06/30/10	382,338,494	223,281,274	58.4%	29,752,737
06/30/11	405,879,283	262,881,439	64.8%	28,820,289
06/30/12	424,868,507	252,131,503	59.3%	28,439,846
06/30/13	437,688,131	274,484,679	62.7%	28,759,363

RISK ANALYSIS

- **VOLATILITY RATIOS**
- **PROJECTED RATES**
- **ANALYSIS OF FUTURE INVESTMENT RETURN SCENARIOS**
- **ANALYSIS OF DISCOUNT RATE SENSITIVITY**
- **HYPOTHETICAL TERMINATION LIABILITY**

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Volatility Ratios

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

Asset Volatility Ratio (AVR)

Plans that have higher asset to payroll ratios produce more volatile employer rates due to investment return. For example, a plan with an asset to payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility, than a plan with an asset to payroll ratio of 4. Below we have shown your asset volatility ratio, a measure of the plan's current rate volatility. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio (LVR)

Plans that have higher liability to payroll ratios produce more volatile employer rates due to investment return and changes in liability. For example, a plan with a liability to payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability to payroll ratio of 4. The liability volatility ratio is also included in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility and the asset volatility ratio, described above, will tend to move closer to this ratio as the plan matures.

Rate Volatility	As of June 30, 2013	
1. Market Value of Assets without Receivables	\$	273,439,664
2. Payroll		28,759,363
3. Asset Volatility Ratio (AVR = 1. / 2.)		9.5
4. Accrued Liability	\$	437,688,131
5. Liability Volatility Ratio (LVR = 4. / 2.)		15.2

Projected Rates

The estimated rate for 2016-17 is based on a projection of the most recent information we have available, including an estimated 18 percent investment return for fiscal 2013-14, the impact of the new smoothing methods adopted by the CalPERS Board in April 2013 that will impact employer rates for the first time in 2015-16 and an estimate of the impact of the new actuarial assumptions adopted by the CalPERS Board in February 2014. These new demographic assumptions include a 20-year projection of on-going mortality improvement. A complete listing of the new demographic assumptions to be implemented with the June 30, 2014 annual actuarial valuation and incorporated in the projected rates for FY 2016-17 and beyond can be found on the CalPERS website at: <http://www.calpers.ca.gov/eip-docs/about/pubs/employer/actuarial-assumptions.xls>

The table below shows projected employer contribution rates (before cost sharing) for the next five Fiscal Years, assuming CalPERS earns 18 percent for fiscal year 2013-14 and 7.50 percent every fiscal year thereafter, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2016-17.

	New Rate	Projected Future Employer Contribution Rates				
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Contribution Rates:	46.910%	49.9%	52.1%	54.2%	56.3%	56.5%

Analysis of Future Investment Return Scenarios

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The newly adopted asset allocation has a lower expected investment volatility which will result in better risk characteristics than an equivalent margin for adverse deviation. The current asset allocation has an expected standard deviation of 12.45 percent while the newly adopted asset allocation has a lower expected standard deviation of 11.76 percent.

The investment return for fiscal year 2013-14 was announced July 14, 2014. The investment return in fiscal year 2013-14 is 18.42 percent before administrative expenses. This year, there will be no adjustment for real estate and private equities. For purposes of projecting future employer rates, we are assuming an 18.0 percent investment return for fiscal year 2013-14.

The investment return realized during a fiscal year first affects the contribution rate for the fiscal year two years later. Specifically, the investment return for 2013-14 will first be reflected in the June 30, 2014 actuarial valuation that will be used to set the 2016-17 employer contribution rates, the 2014-15 investment return will first be reflected in the June 30, 2015 actuarial valuation that will be used to set the 2017-18 employer contribution rates and so forth.

Based on a 18 percent investment return for fiscal year 2013-14, the April 17, 2013 CalPERS Board-approved amortization and rate smoothing method change, the February 18, 2014 new demographic assumptions including 20-year mortality improvement using Scale BB and assuming that all other actuarial assumptions will be realized, and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2016-17, the effect on the 2016-17 Employer Rate is as follows:

Estimated 2016-17 Employer Rate

49.9%

Estimated Increase in Employer Rate between 2015-16 and 2016-17

3.0%

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2014-15, 2015-16 and 2016-17 on the 2017-18, 2018-19 and 2019-20 employer rates. Once again, the projected rate increases assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

Five different investment return scenarios were selected.

- The first scenario is what one would expect if the markets were to give us a 5th percentile return from July 1, 2014 through June 30, 2017. The 5th percentile return corresponds to a -3.8 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2014 through June 30, 2017. The 25th percentile return corresponds to a 2.8 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- The third scenario assumed the return for 2014-15, 2015-16, 2016-17 would be our assumed 7.5 percent investment return which represents about a 49th percentile event.
- The fourth scenario is what one would expect if the markets were to give us a 75th percentile return from July 1, 2014 through June 30, 2017. The 75th percentile return corresponds to a 12.0 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- Finally, the last scenario is what one would expect if the markets were to give us a 95th percentile return from July 1, 2014 through June 30, 2017. The 95th percentile return corresponds to a 18.9 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.

The table below shows the estimated projected contribution rates and the estimated increases for your plan under the five different scenarios.

2014-17 Investment Return Scenario	Estimated Employer Rate			Estimated Change in Employer Rate between 2016-17 and 2019-20
	2017-18	2018-19	2019-20	
-3.8% (5th percentile)	53.8%	59.1%	65.9%	15.9%
2.8% (25th percentile)	52.8%	56.3%	60.5%	10.5%
7.5%	52.1%	54.2%	56.3%	6.4%
12.0%(75th percentile)	51.4%	52.1%	52.1%	2.1%
18.9%(95th percentile)	50.3%	48.8%	45.1%	-4.8%

Analysis of Discount Rate Sensitivity

The following analysis looks at the 2015-16 employer contribution rates under two different discount rate scenarios. Shown below are the employer contribution rates assuming discount rates that are 1 percent lower and 1 percent higher than the current valuation discount rate. This analysis gives an indication of the potential required employer contribution rates if the PERF were to realize investment returns of 6.50 percent or 8.50 percent over the long-term.

This type of analysis gives the reader a sense of the long-term risk to the employer contribution rates.

As of June 30, 2013	2015-16 Employer Contribution Rate		
	6.50% Discount Rate (-1%)	7.50% Discount Rate (assumed rate)	8.50% Discount Rate (+1%)
Employer Normal Cost	23.908%	17.415%	12.423%
Accrued Liability	\$ 492,850,510	\$ 437,688,131	\$ 391,859,205
Unfunded Accrued Liability	\$ 218,365,831	\$ 163,203,452	\$ 117,374,526

Hypothetical Termination Liability

Below is an estimate of the financial position of your plan if you had terminated your contract with CalPERS as of June 30, 2013 using the discount rates shown below. Your plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For this hypothetical termination liability both compensation and service is frozen as of the valuation date and no future pay increases or service accruals are included. In December 2012, the CalPERS Board adopted a more conservative investment policy and asset allocation strategy for the Terminated Agency Pool. Since the Terminated Agency Pool has limited funding sources, expected benefit payments are secured by risk-free assets. With this change, CalPERS increased benefit security for members while limiting its funding risk. This asset allocation has a lower expected rate of return than the PERF. Consequently, the lower discount rate for the Terminated Agency pool results in higher liabilities for terminated plans.

In order to terminate your plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow your plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of your plan liabilities. CalPERS strongly advises you to consult with your plan actuary before beginning this process.

Valuation Date	Hypothetical Termination Liability¹	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Termination Liability Discount Rate²
06/30/11	\$ 600,452,456	\$ 262,881,439	\$ 337,571,017	43.8%	4.82%
06/30/12	799,680,164	252,131,503	547,548,661	31.5%	2.98%
06/30/13	727,022,870	274,484,679	452,538,191	37.8%	3.72%

¹ The hypothetical liabilities calculated above include a 7 percent mortality contingency load in accordance with Board policy. Other actuarial assumptions, such as wage and inflation assumptions, can be found in appendix A.

² The discount rate assumption used for termination valuations is a weighted average of the 10 and 30-year US Treasury yields in effect on the valuation date that equal the duration of the pension liabilities. For purposes of this hypothetical termination liability estimate, the discount rate used, is the yield on the 30-year US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS). Note that as of June 30, 2014 the 30-year STRIPS rate was 3.55 percent.

GASB STATEMENT NO. 27

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SAFETY PLAN of the CITY OF NEWPORT BEACH

Information for Compliance with GASB Statement No. 27

Disclosure under GASB 27 follows. However, note that effective for financial statements for fiscal years beginning after June 15, 2014, GASB 68 replaces GASB 27. This will be the last year that GASB disclosure information will be included in your annual actuarial report. GASB 68 will require additional reporting that CalPERS is intending to provide upon request for an additional fee. We urge you to start discussions with your auditors on how to implement GASB 68.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). Since GASB 68 replaces GASB 27, for fiscal year 2015-16, the APC is replaced by the Actuarially Determined Contribution (ADC). The ADC for July 1, 2015 to June 30, 2016 is 46.910% percent of payroll. In order to calculate the dollar value of the ADC for inclusion in financial statements prepared as of June 30, 2016, this contribution rate, less any employee cost sharing, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2015 to June 30, 2016. The employer and the employer's auditor are responsible for determining the NPO, APC or ADC for a given fiscal year.

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

<u>Retirement Program</u>	
Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year period with Direct Rate Smoothing with a 5-year ramp up/ramp down. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. More detailed information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

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

Valuation Date	Accrued Liability (a)	Actuarial value of Assets* (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/09	\$ 366,918,353	\$ 274,649,310	\$ 92,269,043	74.9%	\$ 30,252,789	305.0%
06/30/10	382,338,494	284,617,445	97,721,049	74.4%	29,752,737	328.4%
06/30/11	405,879,283	295,075,720	110,803,563	72.7%	28,820,289	384.5%
06/30/12	424,868,507	302,365,698	122,502,809	71.2%	28,439,846	430.7%
06/30/13	437,688,131	274,484,679	163,203,452	62.7%	28,759,363	567.5%

* Beginning with the 6/30/2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

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PLAN'S MAJOR BENEFIT PROVISIONS

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Plan's Major Benefit Options

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

Benefit Provision	Contract Package						
	Receiving	Receiving	Receiving	Active Police	Active Fire	Active Other Safety	Active Fire
Benefit Formula				3.0% @ 50	3.0% @ 50	3.0% @ 50	
Social Security Coverage				No	No	No	No
Full/Modified				Full	Full	Full	Full
Final Average Compensation Period				12 mos.	12 mos.	12 mos.	
Sick Leave Credit				No	No	No	No
Non-Industrial Disability				Standard	Standard	Standard	
Industrial Disability				Yes	Yes	Yes	No
Pre-Retirement Death Benefits							
Optional Settlement 2W				Yes	Yes	Yes	No
1959 Survivor Benefit Level				Level 4	Level 4	Level 4	No
Special				Yes	Yes	Yes	No
Alternate (firefighters)				No	No	No	No
Post-Retirement Death Benefits							
Lump Sum	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Survivor Allowance (PRSA)	No	No	No	No	No	No	No
COLA	2%	2%	2%	2%	2%	2%	2%

Plan’s Major Benefit Options

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

Benefit Provision	Contract Package	
	Active Fire	Active Police
Benefit Formula	2.0% @ 50	3.0% @ 55
Social Security Coverage	No	No
Full/Modified	Full	Full
Final Average Compensation Period	36 mos.	36 mos.
Sick Leave Credit	No	No
Non-Industrial Disability	Standard	Standard
Industrial Disability	Yes	Yes
Pre-Retirement Death Benefits		
Optional Settlement 2W	Yes	Yes
1959 Survivor Benefit Level	Level 4	Level 4
Special	Yes	Yes
Alternate (firefighters)	No	No
Post-Retirement Death Benefits		
Lump Sum	\$500	\$500
Survivor Allowance (PRSA)	No	No
COLA	2%	2%

APPENDICES

- **APPENDIX A – ACTUARIAL METHODS AND ASSUMPTIONS**
- **APPENDIX B – PRINCIPAL PLAN PROVISIONS**
- **APPENDIX C – PARTICIPANT DATA**
- **APPENDIX D – DEVELOPMENT OF PPERA MEMBER CONTRIBUTION RATES**
- **APPENDIX E – GLOSSARY OF ACTUARIAL TERMS**

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APPENDIX A

ACTUARIAL METHODS AND ASSUMPTIONS

- **ACTUARIAL DATA**
- **ACTUARIAL METHODS**
- **ACTUARIAL ASSUMPTIONS**
- **MISCELLANEOUS**

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Actuarial Data

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

Actuarial Methods

Funding Method

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

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

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. Commencing with the June 30, 2013 valuation all new gains or losses are tracked and amortized over a fixed 30-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes), changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. Changes in unfunded accrued liability due to a Golden Handshake will be amortized over a period of 5 years. If a plan's accrued liability exceeds the market value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability. An exception has been made for the change in asset value from actuarial to market value in this valuation. The CalPERS Board approved a 30-year amortization with a 5-year ramp-up/ramp-down for only this change in method.

Additional contributions will be required for any plan or pool if their cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis to either:

- Increase by at least 15 percent by June 30, 2043; or
- Reach a level of 75 percent funded by June 30, 2043

The necessary additional contribution will be obtained by changing the amortization period of the gains and losses, except for those occurring in the fiscal years 2008-2009, 2009-2010, and 2010-2011 to a period, which will result in the satisfaction of the above criteria. CalPERS actuaries will reassess the criteria above when performing each future valuation to determine whether or not additional contributions are necessary.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases, a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. As mentioned above, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. However, in

the case of a 30-year fresh start, just the unfunded liability not already in the (gain)/loss base (which is already amortized over 30 years), will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

- 1) When a positive payment would be required on a negative unfunded actuarial liability (or conversely a negative payment on a positive unfunded actuarial liability); or
- 2) When there are excess assets, rather than an unfunded liability. In this situation, a 30-year fresh start is used, unless a longer fresh start is needed to avoid a negative total rate.

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

Asset Valuation Method

It is the policy of the CalPERS Board of Administration to use professionally accepted amortization methods to eliminate unfunded accrued liabilities or surpluses in a manner that maintains benefit security for the members of the System while minimizing substantial variations in employer contribution rates. On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5 year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

Actuarial Assumptions

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy. For more details, please refer to the experience study report that can be found at the following link: <http://www.calpers.ca.gov/eip-docs/about/pubs/employer/2014-experience-study.pdf>

Economic Assumptions

Discount Rate

7.5 percent compounded annually (net of expenses). This assumption is used for all plans.

Termination Liability Discount Rate

The discount rate used for termination valuation is a weighted average of the 10 and 30-year US Treasury yields in effect on the valuation date that equal the duration of the pension liabilities. For purposes of this hypothetical termination liability estimate, the discount rate used, 3.72 percent, is the yield on the 30-year US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS) as of June 30, 2013. Please note, as of June 30, 2014 the 30-year STRIPS yield was 3.55 percent.

Salary Growth

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

Public Agency Miscellaneous			
<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.1420	0.1240	0.0980
1	0.1190	0.1050	0.0850
2	0.1010	0.0910	0.0750
3	0.0880	0.0800	0.0670
4	0.0780	0.0710	0.0610
5	0.0700	0.0650	0.0560
10	0.0480	0.0460	0.0410
15	0.0430	0.0410	0.0360
20	0.0390	0.0370	0.0330
25	0.0360	0.0360	0.0330
30	0.0360	0.0360	0.0330

Salary Growth (continued)

Public Agency Fire			
<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.1050	0.1050	0.1020
1	0.0950	0.0940	0.0850
2	0.0870	0.0830	0.0700
3	0.0800	0.0750	0.0600
4	0.0740	0.0680	0.0510
5	0.0690	0.0620	0.0450
10	0.0510	0.0460	0.0350
15	0.0410	0.0390	0.0340
20	0.0370	0.0360	0.0330
25	0.0350	0.0350	0.0330
30	0.0350	0.0350	0.0330

Public Agency Police			
<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.1090	0.1090	0.1090
1	0.0930	0.0930	0.0930
2	0.0810	0.0810	0.0780
3	0.0720	0.0700	0.0640
4	0.0650	0.0610	0.0550
5	0.0590	0.0550	0.0480
10	0.0450	0.0420	0.0340
15	0.0410	0.0390	0.0330
20	0.0370	0.0360	0.0330
25	0.0350	0.0340	0.0330
30	0.0350	0.0340	0.0330

Public Agency County Peace Officers			
<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.1290	0.1290	0.1290
1	0.1090	0.1060	0.1030
2	0.0940	0.0890	0.0840
3	0.0820	0.0770	0.0710
4	0.0730	0.0670	0.0610
5	0.0660	0.0600	0.0530
10	0.0460	0.0420	0.0380
15	0.0410	0.0380	0.0360
20	0.0370	0.0360	0.0340
25	0.0350	0.0340	0.0330
30	0.0350	0.0340	0.0330

Schools			
Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1080	0.0960	0.0820
1	0.0940	0.0850	0.0740
2	0.0840	0.0770	0.0670
3	0.0750	0.0700	0.0620
4	0.0690	0.0640	0.0570
5	0.0630	0.0600	0.0530
10	0.0450	0.0440	0.0410
15	0.0390	0.0380	0.0350
20	0.0360	0.0350	0.0320
25	0.0340	0.0340	0.0320
30	0.0340	0.0340	0.0320

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

Overall Payroll Growth

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

Inflation

2.75 percent compounded annually. This assumption is used for all plans.

Non-valued Potential Additional Liabilities

The potential liability loss for a cost-of-living increase exceeding the 2.75 percent inflation assumption, and any potential liability loss from future member service purchases are not reflected in the valuation.

Miscellaneous Loading Factors

Credit for Unused Sick Leave

Total years of service is increased by 1 percent for those plans that have accepted the provision providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)

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

Norris Decision (Best Factors)

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

Termination Liability

The termination liabilities include a 7 percent contingency load. This load is for unforeseen improvements in mortality.

Demographic Assumptions

Pre-Retirement Mortality

Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial

death rates are used for Safety Plans (except for Local Prosecutor safety members where the corresponding Miscellaneous Plan does not have the Industrial Death Benefit).

Age	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
	Male	Female	Male and Female
20	0.00047	0.00016	0.00003
25	0.00050	0.00026	0.00007
30	0.00053	0.00036	0.00010
35	0.00067	0.00046	0.00012
40	0.00087	0.00065	0.00013
45	0.00120	0.00093	0.00014
50	0.00176	0.00126	0.00015
55	0.00260	0.00176	0.00016
60	0.00395	0.00266	0.00017
65	0.00608	0.00419	0.00018
70	0.00914	0.00649	0.00019
75	0.01220	0.00878	0.00020
80	0.01527	0.01108	0.00021

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

Post-Retirement Mortality

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

Age	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
	Male	Female	Male	Female	Male	Female
50	0.00239	0.00125	0.01632	0.01245	0.00443	0.00356
55	0.00474	0.00243	0.01936	0.01580	0.00563	0.00546
60	0.00720	0.00431	0.02293	0.01628	0.00777	0.00798
65	0.01069	0.00775	0.03174	0.01969	0.01388	0.01184
70	0.01675	0.01244	0.03870	0.03019	0.02236	0.01716
75	0.03080	0.02071	0.06001	0.03915	0.03585	0.02665
80	0.05270	0.03749	0.08388	0.05555	0.06926	0.04528
85	0.09775	0.07005	0.14035	0.09577	0.11799	0.08017
90	0.16747	0.12404	0.21554	0.14949	0.16575	0.13775
95	0.25659	0.21556	0.31025	0.23055	0.26108	0.23331
100	0.34551	0.31876	0.45905	0.37662	0.40918	0.35165
105	0.58527	0.56093	0.67923	0.61523	0.64127	0.60135
110	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

On February 19, 2014 the CalPERS Board adopted new recommended demographic assumption based on the most recent CalPERS Experience Study. These new actuarial assumptions will be implemented for the first time in the June 30, 2014 valuation. For purposes of the post-retirement mortality rates, the revised rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries.

Marital Status

For active members, a percentage who are married upon retirement is assumed according to member category as shown in the following table.

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

Age of Spouse

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

Terminated Members

It is assumed that terminated members refund immediately if non-vested. Terminated members who are vested are assumed to follow the same service retirement pattern as active members but with a load to reflect the expected higher rates of retirement, especially at lower ages. The following table shows the load factors that are applied to the service retirement assumption for active members to obtain the service retirement pattern for separated vested members:

Age	Load Factor
50	450%
51	250%
52 through 56	200%
57 through 60	150%
61 through 64	125%
65 and above	100% (no change)

Termination with Refund

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

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1742	0.1674	0.1606	0.1537	0.1468	0.1400
1	0.1545	0.1477	0.1409	0.1339	0.1271	0.1203
2	0.1348	0.1280	0.1212	0.1142	0.1074	0.1006
3	0.1151	0.1083	0.1015	0.0945	0.0877	0.0809
4	0.0954	0.0886	0.0818	0.0748	0.0680	0.0612
5	0.0212	0.0193	0.0174	0.0155	0.0136	0.0116
10	0.0138	0.0121	0.0104	0.0088	0.0071	0.0055
15	0.0060	0.0051	0.0042	0.0032	0.0023	0.0014
20	0.0037	0.0029	0.0021	0.0013	0.0005	0.0001
25	0.0017	0.0011	0.0005	0.0001	0.0001	0.0001
30	0.0005	0.0001	0.0001	0.0001	0.0001	0.0001
35	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
0	0.0710	0.1013	0.0997
1	0.0554	0.0636	0.0782
2	0.0398	0.0271	0.0566
3	0.0242	0.0258	0.0437
4	0.0218	0.0245	0.0414
5	0.0029	0.0086	0.0145
10	0.0009	0.0053	0.0089
15	0.0006	0.0027	0.0045
20	0.0005	0.0017	0.0020
25	0.0003	0.0012	0.0009
30	0.0003	0.0009	0.0006
35	0.0003	0.0009	0.0006

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

Schools

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1730	0.1627	0.1525	0.1422	0.1319	0.1217
1	0.1585	0.1482	0.1379	0.1277	0.1174	0.1071
2	0.1440	0.1336	0.1234	0.1131	0.1028	0.0926
3	0.1295	0.1192	0.1089	0.0987	0.0884	0.0781
4	0.1149	0.1046	0.0944	0.0841	0.0738	0.0636
5	0.0278	0.0249	0.0221	0.0192	0.0164	0.0135
10	0.0172	0.0147	0.0122	0.0098	0.0074	0.0049
15	0.0115	0.0094	0.0074	0.0053	0.0032	0.0011
20	0.0073	0.0055	0.0038	0.0020	0.0002	0.0002
25	0.0037	0.0023	0.0010	0.0002	0.0002	0.0002
30	0.0015	0.0003	0.0002	0.0002	0.0002	0.0002
35	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002

Termination with Vested Benefits

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

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0656	0.0597	0.0537	0.0477	0.0418
10	0.0530	0.0466	0.0403	0.0339	0.0000
15	0.0443	0.0373	0.0305	0.0000	0.0000
20	0.0333	0.0261	0.0000	0.0000	0.0000
25	0.0212	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0163	0.0265
10	0.0061	0.0126	0.0204
15	0.0058	0.0082	0.0130
20	0.0053	0.0065	0.0074
25	0.0047	0.0058	0.0043
30	0.0045	0.0056	0.0030
35	0.0000	0.0000	0.0000

- When a member is eligible to retire, the termination with vested benefits probability is set to zero.
- After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54.
- The Police Termination with vested benefits rates are also used for Public Agency Local Prosecutors, Other Safety, Local Sheriff and School Police.

Schools

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0816	0.0733	0.0649	0.0566	0.0482
10	0.0629	0.0540	0.0450	0.0359	0.0000
15	0.0537	0.0440	0.0344	0.0000	0.0000
20	0.0420	0.0317	0.0000	0.0000	0.0000
25	0.0291	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

Non-Industrial (Not Job-Related) Disability

Rates vary by age and gender for Miscellaneous Plans. Rates vary by age and category for Safety Plans.

Age	Miscellaneous		Fire	Police	County Peace Officer	Schools	
	Male	Female	Male and Female	Male and Female	Male and Female	Male	Female
20	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
30	0.0002	0.0002	0.0001	0.0002	0.0001	0.0002	0.0001
35	0.0006	0.0009	0.0001	0.0003	0.0004	0.0006	0.0004
40	0.0015	0.0016	0.0001	0.0004	0.0007	0.0014	0.0009
45	0.0025	0.0024	0.0002	0.0005	0.0013	0.0028	0.0017
50	0.0033	0.0031	0.0005	0.0008	0.0018	0.0044	0.0030
55	0.0037	0.0031	0.0010	0.0013	0.0010	0.0049	0.0034
60	0.0038	0.0025	0.0015	0.0020	0.0006	0.0043	0.0024

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

Industrial (Job-Related) Disability

Rates vary by age and category.

<u>Age</u>	<u>Fire</u>	<u>Police</u>	<u>County Peace Officer</u>
20	0.0002	0.0007	0.0003
25	0.0012	0.0032	0.0015
30	0.0025	0.0064	0.0031
35	0.0037	0.0097	0.0046
40	0.0049	0.0129	0.0063
45	0.0061	0.0161	0.0078
50	0.0074	0.0192	0.0101
55	0.0721	0.0668	0.0173
60	0.0721	0.0668	0.0173

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

Service Retirement

Retirement rates vary by age, service, and formula, except for the safety ½ @ 55 and 2% @ 55 formulas, where retirement rates vary by age only.

Service Retirement

Public Agency Miscellaneous 1.5% @ 65

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.008	0.011	0.013	0.015	0.017	0.019
51	0.007	0.010	0.012	0.013	0.015	0.017
52	0.010	0.014	0.017	0.019	0.021	0.024
53	0.008	0.012	0.015	0.017	0.019	0.022
54	0.012	0.016	0.019	0.022	0.025	0.028
55	0.018	0.025	0.031	0.035	0.038	0.043
56	0.015	0.021	0.025	0.029	0.032	0.036
57	0.020	0.028	0.033	0.038	0.043	0.048
58	0.024	0.033	0.040	0.046	0.052	0.058
59	0.028	0.039	0.048	0.054	0.060	0.067
60	0.049	0.069	0.083	0.094	0.105	0.118
61	0.062	0.087	0.106	0.120	0.133	0.150
62	0.104	0.146	0.177	0.200	0.223	0.251
63	0.099	0.139	0.169	0.191	0.213	0.239
64	0.097	0.136	0.165	0.186	0.209	0.233
65	0.140	0.197	0.240	0.271	0.302	0.339
66	0.092	0.130	0.157	0.177	0.198	0.222
67	0.129	0.181	0.220	0.249	0.277	0.311
68	0.092	0.129	0.156	0.177	0.197	0.221
69	0.092	0.130	0.158	0.178	0.199	0.224
70	0.103	0.144	0.175	0.198	0.221	0.248

Public Agency Miscellaneous 2% @ 60

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.011	0.015	0.018	0.021	0.023	0.026
51	0.009	0.013	0.016	0.018	0.020	0.023
52	0.013	0.018	0.022	0.025	0.028	0.031
53	0.011	0.016	0.019	0.022	0.025	0.028
54	0.015	0.021	0.025	0.028	0.032	0.036
55	0.023	0.032	0.039	0.044	0.049	0.055
56	0.019	0.027	0.032	0.037	0.041	0.046
57	0.025	0.035	0.042	0.048	0.054	0.060
58	0.030	0.042	0.051	0.058	0.065	0.073
59	0.035	0.049	0.060	0.068	0.076	0.085
60	0.062	0.087	0.105	0.119	0.133	0.149
61	0.079	0.110	0.134	0.152	0.169	0.190
62	0.132	0.186	0.225	0.255	0.284	0.319
63	0.126	0.178	0.216	0.244	0.272	0.305
64	0.122	0.171	0.207	0.234	0.262	0.293
65	0.173	0.243	0.296	0.334	0.373	0.418
66	0.114	0.160	0.194	0.219	0.245	0.274
67	0.159	0.223	0.271	0.307	0.342	0.384
68	0.113	0.159	0.193	0.218	0.243	0.273
69	0.114	0.161	0.195	0.220	0.246	0.276
70	0.127	0.178	0.216	0.244	0.273	0.306

Service Retirement

Public Agency Miscellaneous 2% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.015	0.020	0.024	0.029	0.033	0.039
51	0.013	0.016	0.020	0.024	0.027	0.033
52	0.014	0.018	0.022	0.027	0.030	0.036
53	0.017	0.022	0.027	0.032	0.037	0.043
54	0.027	0.034	0.041	0.049	0.056	0.067
55	0.050	0.064	0.078	0.094	0.107	0.127
56	0.045	0.057	0.069	0.083	0.095	0.113
57	0.048	0.061	0.074	0.090	0.102	0.122
58	0.052	0.066	0.080	0.097	0.110	0.131
59	0.060	0.076	0.092	0.111	0.127	0.151
60	0.072	0.092	0.112	0.134	0.153	0.182
61	0.089	0.113	0.137	0.165	0.188	0.224
62	0.128	0.162	0.197	0.237	0.270	0.322
63	0.129	0.164	0.199	0.239	0.273	0.325
64	0.116	0.148	0.180	0.216	0.247	0.294
65	0.174	0.221	0.269	0.323	0.369	0.439
66	0.135	0.171	0.208	0.250	0.285	0.340
67	0.133	0.169	0.206	0.247	0.282	0.336
68	0.118	0.150	0.182	0.219	0.250	0.297
69	0.116	0.147	0.179	0.215	0.246	0.293
70	0.138	0.176	0.214	0.257	0.293	0.349

Public Agency Miscellaneous 2.5% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.026	0.033	0.040	0.048	0.055	0.062
51	0.021	0.026	0.032	0.038	0.043	0.049
52	0.021	0.026	0.032	0.038	0.043	0.049
53	0.026	0.033	0.040	0.048	0.055	0.062
54	0.043	0.054	0.066	0.078	0.089	0.101
55	0.088	0.112	0.136	0.160	0.184	0.208
56	0.055	0.070	0.085	0.100	0.115	0.130
57	0.061	0.077	0.094	0.110	0.127	0.143
58	0.072	0.091	0.111	0.130	0.150	0.169
59	0.083	0.105	0.128	0.150	0.173	0.195
60	0.088	0.112	0.136	0.160	0.184	0.208
61	0.083	0.105	0.128	0.150	0.173	0.195
62	0.121	0.154	0.187	0.220	0.253	0.286
63	0.105	0.133	0.162	0.190	0.219	0.247
64	0.105	0.133	0.162	0.190	0.219	0.247
65	0.143	0.182	0.221	0.260	0.299	0.338
66	0.105	0.133	0.162	0.190	0.219	0.247
67	0.105	0.133	0.162	0.190	0.219	0.247
68	0.105	0.133	0.162	0.190	0.219	0.247
69	0.105	0.133	0.162	0.190	0.219	0.247
70	0.125	0.160	0.194	0.228	0.262	0.296

Service Retirement

Public Agency Miscellaneous 2.7% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.028	0.035	0.043	0.050	0.058	0.065
51	0.022	0.028	0.034	0.040	0.046	0.052
52	0.022	0.028	0.034	0.040	0.046	0.052
53	0.028	0.035	0.043	0.050	0.058	0.065
54	0.044	0.056	0.068	0.080	0.092	0.104
55	0.091	0.116	0.140	0.165	0.190	0.215
56	0.061	0.077	0.094	0.110	0.127	0.143
57	0.063	0.081	0.098	0.115	0.132	0.150
58	0.074	0.095	0.115	0.135	0.155	0.176
59	0.083	0.105	0.128	0.150	0.173	0.195
60	0.088	0.112	0.136	0.160	0.184	0.208
61	0.085	0.109	0.132	0.155	0.178	0.202
62	0.124	0.158	0.191	0.225	0.259	0.293
63	0.107	0.137	0.166	0.195	0.224	0.254
64	0.107	0.137	0.166	0.195	0.224	0.254
65	0.146	0.186	0.225	0.265	0.305	0.345
66	0.107	0.137	0.166	0.195	0.224	0.254
67	0.107	0.137	0.166	0.195	0.224	0.254
68	0.107	0.137	0.166	0.195	0.224	0.254
69	0.107	0.137	0.166	0.195	0.224	0.254
70	0.129	0.164	0.199	0.234	0.269	0.304

Public Agency Miscellaneous 3% @ 60

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.026	0.033	0.040	0.048	0.055	0.062
51	0.021	0.026	0.032	0.038	0.043	0.049
52	0.019	0.025	0.030	0.035	0.040	0.046
53	0.025	0.032	0.038	0.045	0.052	0.059
54	0.039	0.049	0.060	0.070	0.081	0.091
55	0.083	0.105	0.128	0.150	0.173	0.195
56	0.055	0.070	0.085	0.100	0.115	0.130
57	0.061	0.077	0.094	0.110	0.127	0.143
58	0.072	0.091	0.111	0.130	0.150	0.169
59	0.080	0.102	0.123	0.145	0.167	0.189
60	0.094	0.119	0.145	0.170	0.196	0.221
61	0.088	0.112	0.136	0.160	0.184	0.208
62	0.127	0.161	0.196	0.230	0.265	0.299
63	0.110	0.140	0.170	0.200	0.230	0.260
64	0.110	0.140	0.170	0.200	0.230	0.260
65	0.149	0.189	0.230	0.270	0.311	0.351
66	0.110	0.140	0.170	0.200	0.230	0.260
67	0.110	0.140	0.170	0.200	0.230	0.260
68	0.110	0.140	0.170	0.200	0.230	0.260
69	0.110	0.140	0.170	0.200	0.230	0.260
70	0.132	0.168	0.204	0.240	0.276	0.312

Service Retirement

Public Agency Miscellaneous 2% @ 62

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
51	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
52	0.0103	0.0132	0.0160	0.0188	0.0216	0.0244
53	0.0131	0.0167	0.0202	0.0238	0.0273	0.0309
54	0.0213	0.0272	0.0330	0.0388	0.0446	0.0504
55	0.0440	0.0560	0.0680	0.0800	0.0920	0.1040
56	0.0303	0.0385	0.0468	0.0550	0.0633	0.0715
57	0.0363	0.0462	0.0561	0.0660	0.0759	0.0858
58	0.00465	0.0592	0.0718	0.0845	0.0972	0.1099
59	0.0578	0.0735	0.0893	0.1050	0.1208	0.1365
60	0.0616	0.0784	0.0952	0.1120	0.1288	0.1456
61	0.0888	0.0788	0.0956	0.1125	0.1294	0.1463
62	0.0941	0.1232	0.1496	0.1760	0.2024	0.2288
63	0.1287	0.1131	0.1373	0.1615	0.1857	0.2100
64	0.1045	0.1197	0.1454	0.1710	0.1967	0.2223
65	0.1045	0.1638	0.1989	0.2340	0.2691	0.3042
66	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
67	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
68	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
69	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.9640

Service Retirement

Public Agency Fire ½ @ 55 and 2% @ 55

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

Public Agency Police ½ @ 55 and 2% @ 55

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

Service Retirement

Public Agency Police 2% @ 50						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.014	0.014	0.014	0.014	0.025	0.045
51	0.012	0.012	0.012	0.012	0.023	0.040
52	0.026	0.026	0.026	0.026	0.048	0.086
53	0.052	0.052	0.052	0.052	0.096	0.171
54	0.070	0.070	0.070	0.070	0.128	0.227
55	0.090	0.090	0.090	0.090	0.165	0.293
56	0.064	0.064	0.064	0.064	0.117	0.208
57	0.071	0.071	0.071	0.071	0.130	0.232
58	0.063	0.063	0.063	0.063	0.115	0.205
59	0.140	0.140	0.140	0.140	0.174	0.254
60	0.140	0.140	0.140	0.140	0.172	0.251
61	0.140	0.140	0.140	0.140	0.172	0.251
62	0.140	0.140	0.140	0.140	0.172	0.251
63	0.140	0.140	0.140	0.140	0.172	0.251
64	0.140	0.140	0.140	0.140	0.172	0.251
65	1.000	1.000	1.000	1.000	1.000	1.000

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

Service Retirement

Public Agency Fire 2% @ 50						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.007	0.007	0.007	0.007	0.010	0.015
51	0.008	0.008	0.008	0.008	0.013	0.019
52	0.017	0.017	0.017	0.017	0.027	0.040
53	0.047	0.047	0.047	0.047	0.072	0.107
54	0.064	0.064	0.064	0.064	0.098	0.147
55	0.087	0.087	0.087	0.087	0.134	0.200
56	0.078	0.078	0.078	0.078	0.120	0.180
57	0.090	0.090	0.090	0.090	0.139	0.208
58	0.079	0.079	0.079	0.079	0.122	0.182
59	0.073	0.073	0.073	0.073	0.112	0.168
60	0.114	0.114	0.114	0.114	0.175	0.262
61	0.114	0.114	0.114	0.114	0.175	0.262
62	0.114	0.114	0.114	0.114	0.175	0.262
63	0.114	0.114	0.114	0.114	0.175	0.262
64	0.114	0.114	0.114	0.114	0.175	0.262
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 3% @ 55						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.019	0.019	0.019	0.019	0.040	0.060
51	0.024	0.024	0.024	0.024	0.049	0.074
52	0.024	0.024	0.024	0.024	0.051	0.077
53	0.059	0.059	0.059	0.059	0.121	0.183
54	0.069	0.069	0.069	0.069	0.142	0.215
55	0.116	0.116	0.116	0.116	0.240	0.363
56	0.076	0.076	0.076	0.076	0.156	0.236
57	0.058	0.058	0.058	0.058	0.120	0.181
58	0.076	0.076	0.076	0.076	0.157	0.237
59	0.094	0.094	0.094	0.094	0.193	0.292
60	0.141	0.141	0.141	0.141	0.290	0.438
61	0.094	0.094	0.094	0.094	0.193	0.292
62	0.118	0.118	0.118	0.118	0.241	0.365
63	0.094	0.094	0.094	0.094	0.193	0.292
64	0.094	0.094	0.094	0.094	0.193	0.292
65	1.000	1.000	1.000	1.000	1.000	1.000

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

Service Retirement

Public Agency Fire 3% @ 55						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.012	0.012	0.012	0.018	0.028	0.033
51	0.008	0.008	0.008	0.012	0.019	0.022
52	0.018	0.018	0.018	0.027	0.042	0.050
53	0.043	0.043	0.043	0.062	0.098	0.114
54	0.057	0.057	0.057	0.083	0.131	0.152
55	0.092	0.092	0.092	0.134	0.211	0.246
56	0.081	0.081	0.081	0.118	0.187	0.218
57	0.100	0.100	0.100	0.146	0.230	0.268
58	0.081	0.081	0.081	0.119	0.187	0.219
59	0.078	0.078	0.078	0.113	0.178	0.208
60	0.117	0.117	0.117	0.170	0.267	0.312
61	0.078	0.078	0.078	0.113	0.178	0.208
62	0.098	0.098	0.098	0.141	0.223	0.260
63	0.078	0.078	0.078	0.113	0.178	0.208
64	0.078	0.078	0.078	0.113	0.178	0.208
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 2% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0110	0.0110	0.0110	0.0110	0.0202	0.0361
51	0.0086	0.0086	0.0086	0.0086	0.0158	0.0281
52	0.0183	0.0183	0.0183	0.0183	0.0336	0.0599
53	0.0366	0.0366	0.0366	0.0366	0.0670	0.1194
54	0.0488	0.0488	0.0488	0.0488	0.0893	0.1592
55	0.0629	0.0629	0.0629	0.0629	0.1152	0.2052
56	0.0447	0.0447	0.0447	0.0447	0.0816	0.1455
57	0.0640	0.0640	0.0640	0.0640	0.1170	0.2086
58	0.0471	0.0471	0.0471	0.0471	0.0862	0.1537
59	0.1047	0.1047	0.1047	0.1047	0.1301	0.1908
60	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
61	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
62	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
63	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
64	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

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

Service Retirement

Public Agency Fire 2% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0052	0.0052	0.0052	0.0052	0.0081	0.0121
51	0.0057	0.0057	0.0057	0.0057	0.0088	0.0131
52	0.0121	0.0121	0.0121	0.0121	0.0187	0.0280
53	0.0326	0.0326	0.0326	0.0326	0.0501	0.0750
54	0.0447	0.0447	0.0447	0.0447	0.0688	0.1030
55	0.0608	0.0608	0.0608	0.0608	0.0935	0.1400
56	0.0545	0.0545	0.0545	0.0545	0.0840	0.1257
57	0.0811	0.0811	0.0811	0.0811	0.01248	0.1869
58	0.0593	0.0593	0.0593	0.0593	0.0913	0.1366
59	0.0547	0.0547	0.0547	0.0547	0.0842	0.1261
60	0.0851	0.0851	0.0851	0.0851	0.1310	0.1961
61	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
62	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
63	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
64	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Service Retirement

Public Agency Police 2.5% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
51	0.0117	0.0117	0.0117	0.0117	0.0215	0.0382
52	0.0249	0.0249	0.0249	0.0249	0.0456	0.0812
53	0.0471	0.0471	0.0471	0.0471	0.0861	0.1535
54	0.0627	0.0627	0.0627	0.0627	0.1148	0.2047
55	0.0764	0.0764	0.0764	0.0764	0.1398	0.2492
56	0.0542	0.0542	0.0542	0.0542	0.0991	0.1767
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318
58	0.0565	0.0565	0.0565	0.0565	0.1034	0.1844
59	0.1256	0.1256	0.1256	0.1256	0.1562	0.2290
60	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
61	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
62	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
63	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
64	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.000

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

Service Retirement

Public Agency Fire 2.5% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0077	0.0077	0.0077	0.0077	0.0119	0.0178
52	0.0164	0.0164	0.0164	0.0164	0.0254	0.0380
53	0.0419	0.0419	0.0419	0.0419	0.0644	0.0965
54	0.0574	0.0574	0.0574	0.0574	0.0885	0.1324
55	0.0738	0.0738	0.0738	0.0738	0.1136	0.1700
56	0.0662	0.0662	0.0662	0.0662	0.1020	0.2077
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.1639
58	0.0711	0.0711	0.0711	0.0711	0.1095	0.1513
59	0.0656	0.0656	0.0656	0.0656	0.1011	0.2354
60	0.1022	0.1022	0.1022	0.1022	0.1572	0.2356
61	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
62	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
63	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
64	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Service Retirement

Public Agency Police 2.7% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
51	0.0123	0.0123	0.0123	0.0123	0.0226	0.0402
52	0.0249	0.0249	0.0249	0.0249	0.0456	0.0812
53	0.0497	0.0497	0.0497	0.0497	0.0909	0.1621
54	0.0662	0.0662	0.0662	0.0662	0.1211	0.2160
55	0.0854	0.0854	0.0854	0.0854	0.1563	0.2785
56	0.0606	0.0606	0.0606	0.0606	0.1108	0.1975
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318
58	0.0628	0.0628	0.0628	0.0628	0.1149	0.2049
59	0.1396	0.1396	0.1396	0.1396	0.1735	0.2544
60	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
61	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
62	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
63	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
64	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

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

Service Retirement

Public Agency Fire 2.7% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0081	0.0081	0.0081	0.0081	0.0125	0.0187
52	0.0164	0.0164	0.0164	0.0164	0.0254	0.0380
53	0.0442	0.0442	0.0442	0.0442	0.0680	0.1018
54	0.0606	0.0606	0.0606	0.0606	0.0934	0.1397
55	0.0825	0.0825	0.0825	0.0825	0.1269	0.1900
56	0.0740	0.0740	0.0740	0.0740	0.1140	0.1706
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.2077
58	0.0790	0.0790	0.0790	0.0790	0.1217	0.1821
59	0.0729	0.0729	0.0729	0.0729	0.1123	0.1681
60	0.1135	0.1135	0.1135	0.1135	0.1747	0.2615
61	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
62	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
63	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
64	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Service Retirement

Schools 2% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.005	0.009	0.013	0.015	0.016	0.018
51	0.005	0.010	0.014	0.017	0.019	0.021
52	0.006	0.012	0.017	0.020	0.022	0.025
53	0.007	0.014	0.019	0.023	0.026	0.029
54	0.012	0.024	0.033	0.039	0.044	0.049
55	0.024	0.048	0.067	0.079	0.088	0.099
56	0.020	0.039	0.055	0.065	0.072	0.081
57	0.021	0.042	0.059	0.070	0.078	0.087
58	0.025	0.050	0.070	0.083	0.092	0.103
59	0.029	0.057	0.080	0.095	0.105	0.118
60	0.037	0.073	0.102	0.121	0.134	0.150
61	0.046	0.090	0.126	0.149	0.166	0.186
62	0.076	0.151	0.212	0.250	0.278	0.311
63	0.069	0.136	0.191	0.225	0.251	0.281
64	0.067	0.133	0.185	0.219	0.244	0.273
65	0.091	0.180	0.251	0.297	0.331	0.370
66	0.072	0.143	0.200	0.237	0.264	0.295
67	0.067	0.132	0.185	0.218	0.243	0.272
68	0.060	0.118	0.165	0.195	0.217	0.243
69	0.067	0.133	0.187	0.220	0.246	0.275
70	0.066	0.131	0.183	0.216	0.241	0.270

Miscellaneous

Superfunded Status

Prior to enactment of the Public Employees’ Pension Reform Act (PEPRA) that became effective January 1, 2013, a plan in superfunded status (actuarial value of assets exceeding present value of benefits) would normally pay a zero employer contribution rate while also being permitted to use its superfunded assets to pay its employees’ normal member contributions.

However, Section 7522.52(a) of PEPRA states, “In any fiscal year a public employer’s contribution to a defined benefit plan, in combination with employee contributions to that defined benefit plan, shall not be less than the total normal cost rate...” This means that not only must employers pay their employer normal cost regardless of plan surplus, but also, employers may no longer use superfunded assets to pay employee normal member contributions.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 are taken into account in this valuation. Each year the impact of any changes in this limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base. This results in lower contributions for those employers contributing to the Replacement Benefit Fund and protects CalPERS from prefunding expected benefits in excess of limits imposed by federal tax law.

Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code Section 401(a)(17) are taken into account in this valuation. Each year, the impact of any changes in the compensation limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base.

PEPRA Assumptions

The Public Employees' Pension Reform Act of 2013 (PEPRA) mandated new benefit formulas and new member contributions for new members (as defined by PEPRA) hired after January 1, 2013. For non-pooled plans, these new members will first be reflected in the June 30, 2013 non-pooled plan valuations. New members in pooled plans will first be reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in November 2012 in response to the passage of PEPRA, also beginning with the June 30, 2013 valuation. Different assumptions for these new PEPRA members are disclosed above.

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APPENDIX B

PRINCIPAL PLAN PROVISIONS

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

PEPRA Benefit Changes

The Public Employees’ Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members are reflected in your June 30, 2013 actuarial valuation. Members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in November 2012 in response to the passage of PEPRA, beginning with the June 30, 2013 valuation.

Service Retirement

Eligibility

A classic CalPERS member or PEPRA Safety 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). For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPRA miscellaneous members become eligible for Service Retirement upon attainment of age 52 with at least 5 years of service.

Benefit

The Service Retirement benefit is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*.

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

Miscellaneous Plan Formulas

Retirement Age	1.5% at 65	2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60	PEPRA 2% at 62
50	0.5000%	1.092%	1.426%	2.000%	2.000%	2.000%	N/A
51	0.5667%	1.156%	1.522%	2.100%	2.140%	2.100%	N/A
52	0.6334%	1.224%	1.628%	2.200%	2.280%	2.200%	1.000%
53	0.7000%	1.296%	1.742%	2.300%	2.420%	2.300%	1.100%
54	0.7667%	1.376%	1.866%	2.400%	2.560%	2.400%	1.200%
55	0.8334%	1.460%	2.000%	2.500%	2.700%	2.500%	1.300%
56	0.9000%	1.552%	2.052%	2.500%	2.700%	2.600%	1.400%
57	0.9667%	1.650%	2.104%	2.500%	2.700%	2.700%	1.500%
58	1.0334%	1.758%	2.156%	2.500%	2.700%	2.800%	1.600%
59	1.1000%	1.874%	2.210%	2.500%	2.700%	2.900%	1.700%
60	1.1667%	2.000%	2.262%	2.500%	2.700%	3.000%	1.800%
61	1.2334%	2.134%	2.314%	2.500%	2.700%	3.000%	1.900%
62	1.3000%	2.272%	2.366%	2.500%	2.700%	3.000%	2.000%

63	1.3667%	2.418%	2.418%	2.500%	2.700%	3.000%	2.100%
64	1.4334%	2.418%	2.418%	2.500%	2.700%	3.000%	2.200%
65	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.300%
66	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.400%
67 & up	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.500%

Safety Plan Formulas

Retirement Age	½ at 55 *	2% at 55	2% at 50	3% at 55	3% at 50
50	1.783%	1.426%	2.000%	2.400%	3.000%
51	1.903%	1.522%	2.140%	2.520%	3.000%
52	2.035%	1.628%	2.280%	2.640%	3.000%
53	2.178%	1.742%	2.420%	2.760%	3.000%
54	2.333%	1.866%	2.560%	2.880%	3.000%
55 & Up	2.500%	2.000%	2.700%	3.000%	3.000%

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

PEPRA Safety Plan Formulas

Retirement Age	2% at 57	2.5% at 57	2.7% at 57
50	1.426%	2.000%	2.000%
51	1.508%	2.071%	2.100%
52	1.590%	2.143%	2.200%
53	1.672%	2.214%	2.300%
54	1.754%	2.286%	2.400%
55	1.836%	2.357%	2.500%
56	1.918%	2.429%	2.600%
57 & Up	2.000%	2.500%	2.700%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. An agency may contract for an optional benefit where any unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave.
- The *final compensation* is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The standard benefit is 36 months. Employers have the option of providing a final compensation equal to the highest 12 consecutive months. Final compensation must be defined by the highest 36 consecutive months' pay under the 1.5% at 65 formula. PEPRA members have a cap on the annual salary that can be used to calculate final compensation for all new members based on the Social Security Contribution and Benefit Base. For employees that participate in

Social Security this cap is \$113,700 for 2013 and for those employees that do not participate in social security the cap for 2013 is \$136,440, the equivalent of 120 percent of the 2013 Contribution and Benefit Base. Adjustments to the caps are permitted annually based on changes to the CPI for All Urban Consumers.

- Employees must be covered by Social Security with the 1.5% at 65 formula. Social Security is optional for all other benefit formulas. For employees covered by Social Security, the Modified formula is the standard benefit. Under this type of formula, the final compensation is offset by \$133.33 (or by one third if the final compensation is less than \$400). Employers may contract for the Full benefit with Social Security that will eliminate the offset applicable to the final compensation. For employees not covered by Social Security, the Full benefit is paid with no offsets. Auxiliary organizations of the CSUC system may elect reduced contribution rates, in which case the offset is \$317 if members are not covered by Social Security or \$513 if members are covered by Social Security.
- The Miscellaneous Service Retirement benefit is not capped. The Safety Service Retirement benefit is capped at 90 percent 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 classic members and Safety PEPRAs become eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50 (55 for employees hired into a 1.5% @ 65 plan). PEPRAs Miscellaneous members become eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 52.

Benefit

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

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility

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

Standard Benefit

The standard Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8 percent 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 percent of Final Compensation.

Improved Benefit

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

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

Industrial (Job Related) Disability Retirement

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

Eligibility

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

Standard Benefit

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

Increased Benefit (75 percent of Final Compensation)

The increased Industrial Disability Retirement benefit is a monthly allowance equal to 75 percent final compensation for total disability.

Improved Benefit (50 percent to 90 percent of Final Compensation)

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

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

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

Post-Retirement Death Benefit

Standard Lump Sum Payment

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

Improved Lump Sum Payment

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

Form of Payment for Retirement Allowance

Standard Form of Payment

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

Improved Form of Payment (Post Retirement Survivor Allowance)

Employers have the option to contract for the post retirement survivor allowance.

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

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

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

Pre-Retirement Death Benefits

Basic Death Benefit

This is a standard benefit.

Eligibility

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

Benefit

The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

This is a standard benefit.

Eligibility

An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50 for Classic and Safety PEPRAs members and age 52 for Miscellaneous PEPRAs members, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this 1957 Survivor benefit.

Benefit

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

Optional Settlement 2W Death Benefit

This is an optional benefit.

Eligibility

An employee's *eligible survivor* may receive the Optional Settlement 2W Death benefit if the member dies while actively employed, has attained at least age 50 for Classic and Safety PEPRAs members and age 52 for Miscellaneous PEPRAs members, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this Optional Settlement 2W Death benefit.

Benefit

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

Special Death Benefit

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

Eligibility

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

Benefit

The Special Death benefit is a monthly allowance equal to 50 percent of final compensation, and will be increased whenever the compensation paid to active employees is increased but ceasing to increase when the member would

have attained age 50. The allowance is payable to the surviving spouse until death at which time the allowance is continued to any unmarried children under age 22. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

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

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

Alternate Death Benefit for Local Fire Members

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

Eligibility

An employee's *eligible survivor(s)* may receive the Alternate Death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 18.

Benefit

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

Cost-of-Living Adjustments (COLA)

Standard Benefit

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

Improved Benefit

Employers have the option of providing any of these improved cost-of-living adjustments by contracting for any one of these Class 1 optional benefits. An improved COLA is not available in conjunction with the 1.5% at 65 formula.

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by either 3 percent, 4 percent or 5 percent. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80 percent of the initial allowance at

retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

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

The percent contributed below the monthly compensation breakpoint is 0 percent.

The monthly compensation breakpoint is \$0 for full and supplemental formula members and \$133.33 for employees covered by the modified formula.

The percent contributed above the monthly compensation breakpoint depends upon the benefit formula, as shown in the table below.

<u>Benefit Formula</u>	<u>Percent Contributed above the Breakpoint</u>
Miscellaneous, 1.5% at 65	2%
Miscellaneous, 2% at 60	7%
Miscellaneous, 2% at 55	7%
Miscellaneous, 2.5% at 55	8%
Miscellaneous, 2.7% at 55	8%
Miscellaneous, 3% at 60	8%
Miscellaneous, 2% at 62	50% of the Total Normal Cost
Safety, 1/2 at 55	Varies by entry age
Safety, 2% at 55	7%
Safety, 2% at 50	9%
Safety, 3% at 55	9%
Safety, 3% at 50	9%
Safety, 2% at 57	50% of the Total Normal Cost
Safety, 2.5% at 57	50% of the Total Normal Cost
Safety, 2.7% at 57	50% of the Total Normal Cost

The employer may choose to “pick-up” these contributions for the employees (Employer Paid Member Contributions or EPMC). EPMC is prohibited for new PEPRAs members.

An employer may also include Employee Cost Sharing in the contract, where employees agree to share the cost of the employer contribution with or without a change in benefit. These contributions are paid in addition to the member contribution.

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

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 percent interest.

1959 Survivor Benefit

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

This benefit is not included in the results presented in this valuation. More information on this benefit is available on the CalPERS website at www.calpers.ca.gov.

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APPENDIX C

PARTICIPANT DATA

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

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Summary of Valuation Data

	June 30, 2012	June 30, 2013
1. Active Members		
a) Counts	255	265
b) Average Attained Age	38.36	38.21
c) Average Entry Age to Rate Plan	27.55	27.54
d) Average Years of Service	10.81	10.67
e) Average Annual Covered Pay	\$ 111,529	\$ 108,526
f) Annual Covered Payroll	28,439,846	28,759,363
g) Projected Annual Payroll for Contribution Year	31,076,988	31,426,132
h) Present Value of Future Payroll	279,360,915	280,175,707
2. Transferred Members		
a) Counts	46	45
b) Average Attained Age	43.11	43.36
c) Average Years of Service	4.23	4.15
d) Average Annual Covered Pay	\$ 92,275	\$ 103,627
3. Terminated Members		
a) Counts	36	38
b) Average Attained Age	41.52	43.04
c) Average Years of Service	4.11	4.27
d) Average Annual Covered Pay	\$ 74,732	\$ 69,957
4. Retired Members and Beneficiaries		
a) Counts	398	406
b) Average Attained Age	63.71	64.28
c) Average Annual Benefits	\$ 58,247	\$ 59,746
5. Active to Retired Ratio [(1a) / (4a)]	0.64	0.65

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

Average Annual Benefits represents benefit amounts payable by this plan only. Some members may have service with another agency and would therefore have a larger total benefit than would be included as part of the average shown here.

Active Members

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

Distribution of Active Members by Age and Service

Years of Service at Valuation Date							
Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	5	0	0	0	0	0	5
25-29	33	14	0	0	0	0	47
30-34	18	28	15	0	0	0	61
35-39	3	24	15	2	0	0	44
40-44	4	11	15	9	2	0	41
45-49	3	2	6	11	18	5	45
50-54	1	0	2	1	5	7	16
55-59	2	0	0	0	1	3	6
60-64	0	0	0	0	0	0	0
65 and over	0	0	0	0	0	0	0
All Ages	69	79	53	23	26	15	265

Distribution of Average Annual Salaries by Age and Service

Years of Service at Valuation Date							
Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	\$65,881	\$0	\$0	\$0	\$0	\$0	\$65,881
25-29	68,354	98,139	0	0	0	0	77,226
30-34	79,905	100,917	112,355	0	0	0	97,530
35-39	82,846	112,378	121,024	122,744	0	0	113,783
40-44	57,556	106,238	125,675	131,451	114,494	0	114,537
45-49	143,344	129,956	111,856	112,574	133,846	156,307	128,670
50-54	201,589	0	136,648	125,226	130,123	166,716	151,109
55-59	203,303	0	0	0	144,734	129,772	156,776
60-64	0	0	0	0	0	0	0
65 and over	0	0	0	0	0	0	0
All Ages	\$80,295	\$105,383	\$119,439	\$121,396	\$132,060	\$155,858	\$108,526

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age and Service

Attained Age	Years of Service at Valuation Date						Total	Average Salary
	0-4	5-9	10-14	15-19	20-25	25+		
15-24	0	0	0	0	0	0	0	\$0
25-29	1	0	0	0	0	0	1	63,773
30-34	5	0	0	0	0	0	5	87,008
35-39	8	1	0	0	0	0	9	106,011
40-44	8	1	1	1	0	0	11	104,109
45-49	9	0	0	1	0	0	10	112,897
50-54	1	2	1	0	0	1	5	126,444
55-59	3	0	0	0	0	0	3	87,969
60-64	1	0	0	0	0	0	1	40,000
65 and over	0	0	0	0	0	0	0	0
All Ages	36	4	2	2	0	1	45	103,627

Distribution of Terminated Participants with Funds on Deposit by Age and Service

Attained Age	Years of Service at Valuation Date						Total	Average Salary
	0-4	5-9	10-14	15-19	20-25	25+		
15-24	0	0	0	0	0	0	0	\$0
25-29	1	0	0	0	0	0	1	37,312
30-34	7	0	0	0	0	0	7	59,859
35-39	5	1	2	0	0	0	8	78,485
40-44	5	1	1	0	1	0	8	92,489
45-49	3	1	0	0	1	0	5	68,564
50-54	1	3	0	0	0	0	4	57,373
55-59	2	0	1	0	0	0	3	30,444
60-64	1	1	0	0	0	0	2	85,302
65 and over	0	0	0	0	0	0	0	0
All Ages	25	7	4	0	2	0	38	69,957

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	0	0
30-34	0	0	2	0	0	0	2
35-39	0	0	2	0	0	0	2
40-44	0	0	2	0	0	0	2
45-49	0	0	11	0	1	1	13
50-54	31	0	8	0	0	1	40
55-59	52	0	17	0	1	2	72
60-64	66	0	27	0	1	1	95
65-69	58	0	22	0	0	6	86
70-74	24	1	16	0	0	4	45
75-79	12	0	11	0	0	3	26
80-84	7	0	2	0	0	5	14
85 and Over	1	0	1	0	0	7	9
All Ages	251	1	121	0	3	30	406

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

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	\$0	\$0	\$0	\$0	\$0	\$0	\$0
30-34	0	0	49,527	0	0	0	49,527
35-39	0	0	53,958	0	0	0	53,958
40-44	0	0	51,436	0	0	0	51,436
45-49	0	0	40,423	0	76,163	37,201	42,924
50-54	85,500	0	58,461	0	0	3,082	78,032
55-59	88,687	0	59,593	0	59,006	50,339	80,340
60-64	76,922	0	43,635	0	87,793	1,754	66,785
65-69	63,900	0	39,932	0	0	20,012	54,707
70-74	53,018	9,891	32,950	0	0	52,186	44,850
75-79	53,474	0	25,333	0	0	24,315	38,204
80-84	15,840	0	28,376	0	0	24,641	20,774
85 and Over	23,042	0	36,854	0	0	10,249	14,626
All Ages	\$72,085	\$9,891	\$42,904	\$0	\$74,321	\$24,647	\$59,746

Retired Members and Beneficiaries (continued)

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

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	66	0	15	0	0	10	91
5-9	88	0	24	0	1	8	121
10-14	50	0	21	0	0	5	76
15-19	27	0	14	0	2	4	47
20-24	12	1	20	0	0	2	35
25-29	4	0	6	0	0	1	11
30 and Over	4	0	21	0	0	0	25
All Years	251	1	121	0	3	30	406

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

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	\$85,959	\$0	\$59,179	\$0	\$0	\$22,973	\$74,623
5-9	81,089	0	66,014	0	87,793	25,136	74,455
10-14	63,699	0	44,706	0	0	19,599	55,550
15-19	53,306	0	48,502	0	67,585	38,277	51,203
20-24	41,390	9,891	23,820	0	0	21,406	29,308
25-29	26,375	0	19,145	0	0	14,695	21,370
30 and Over	14,435	0	24,296	0	0	0	22,718
All Years	\$72,085	\$9,891	\$42,904	\$0	\$74,321	\$24,647	\$59,746

* Counts of members do not include alternate payees receiving benefits while the member is still working. Therefore, the total counts may not match information on page 25 of the report. Multiple records may exist for those who have service in more than one coverage group. This does not result in double counting of liabilities.

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APPENDIX D

DEVELOPMENT OF PEPRA MEMBER CONTRIBUTION RATE

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DEVELOPMENT OF PEPRA MEMBER CONTRIBUTION RATE

The table below shows the determination of the Member contribution rates based on 50 percent of the Total Normal Cost for each respective plan on June 30, 2013.

Assembly Bill (AB) 340 created PEPRA that implemented new benefit formulas and a final compensation period as well as new contribution requirements for new employees. In accordance with Section Code 7522.30(b), "new members ... shall have an initial contribution rate of at least 50 percent of the normal cost rate." The normal cost for the plan is dependent on the benefit levels, actuarial assumptions and demographics of the plan particularly the entry age into the plan. Since the actual demographics of new members was not known during the implementation of PEPRA in December 2012, the normal cost rate was determined based on the average demographics of the members in the current 2 percent at age 55 miscellaneous risk pool and the 3 percent at age 50 safety risk pool.

In analyzing the first set of PEPRA data, CalPERS staff has become concerned that, for most employers, there is insufficient data to produce stable normal costs and member contribution rates. Further, this situation is likely to persist for a number of years as employers gradually bring on more PEPRA members. The larger employers may have sufficient PEPRA members in the first few years but other employers may not have stable rates for a number of years. Staff has concluded that the best approach is to repeat the process – using the normal costs based on the demographics of the risk pools – for the current valuation and work with stakeholders over the next year to determine the best long-term approach to the issue of calculating PEPRA normal costs and member contribution rates. For more information on this topic please refer to the CalPERS Board of Administration agenda item 9a of the May 20th, 2014 meeting which is available on the CalPERS website.

Rate Plan Identifier	Plan	Basis for Current Rate		Rates Effective July 1, 2015			
		Total Normal Cost	Member Rate	Total Normal Cost	Change	Change Needed	Member Rate
25040	Safety Fire PEPRA	22.70%	11.250%	22.70%	0.00%	No	11.250%
25041	Other Safety PEPRA	22.70%	11.250%	22.70%	0.00%	No	11.250%
25042	Safety Police PEPRA	22.70%	11.250%	22.70%	0.00%	No	11.250%

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APPENDIX E

GLOSSARY OF ACTUARIAL TERMS

Glossary of Actuarial Terms

Accrued Liability (*also called Actuarial Accrued Liability or Entry Age Normal Accrued Liability*)

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

Actuarial Assumptions

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

Actuarial Methods

Procedures employed by actuaries to achieve certain funding goals of a pension plan. Actuarial methods include funding method, setting the length of time to fund the Accrued Liability and determining the Actuarial Value of Assets.

Actuarial Valuation

The determination, as of a valuation date, of the Normal Cost, Accrued liability, Actuarial Value of Assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Actuarial Value of Assets

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

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

Amortization Bases

Separate payment schedules for different portions of the Unfunded Liability. The total Unfunded Liability of a Risk Pool or non-pooled plan can be segregated by "cause," creating "bases" and each such base will be separately amortized and paid for over a specific period of time. However, all bases are amortized using investment and payroll assumptions from the current valuation. This can be likened to a home having a first mortgage of 24 years remaining payments and a second mortgage that has 10 years remaining payments. Each base or each mortgage note has its own terms (payment period, principal, etc.)

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

Amortization Period

The number of years required to pay off an Amortization Base.

Annual Required Contributions (ARC)

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

Classic Member (under PEPR)

A classic member is a member who joined CalPERS prior to January, 1, 2013 and who is not defined as a new member under PEPR. (See definition of new member below)

Discount Rate Assumption

The actuarial assumption that was called "investment return" in earlier CalPERS reports or "actuarial interest rate" in Section 20014 of the California Public Employees' Retirement Law (PERL).

Entry Age

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

Entry Age Normal Cost Method

An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll. (The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member on the date of hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Fresh Start

A Fresh Start is when multiple amortization bases are collapsed to one base and amortized together over a new funding period.

Funded Status

A measure of how well funded, or how "on track" a plan or risk pool is with respect to assets versus accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets. A funded ratio based on the Actuarial Value of Assets indicates the progress toward fully funding the plan using the actuarial cost methods and assumptions. A funded ratio based on the Market Value of Assets indicates the short-term solvency of the plan.

GASB 27

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

GASB 68

Statement No. 68 of the Governmental Accounting Standards Board. The accounting standard governing a state or local governmental employer's accounting and financial reporting for pensions. GASB 68 replaces GASB 27 effective the first fiscal year beginning after June 15, 2014.

New Member (under PEPRA)

A new member includes an individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was not a member of another public retirement system prior to that date, and who is not subject to reciprocity with another public retirement system.

Normal Cost

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

Pension Actuary

A business professional that is authorized by the Society of Actuaries, and the American Academy of Actuaries to perform the calculations necessary to properly fund a pension plan.

PEPRA

The California Public Employees' Pension Reform Act of 2013

Prepayment Contribution

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

Present Value of Benefits (PVB)

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

Rolling Amortization Period

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

Superfunded

A condition existing when a plan's Actuarial Value of Assets exceeds its Present Value of Benefits. Prior to the passage of PEPR, when this condition existed on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation could be waived.

Unfunded Liability

When a plan or pool's Actuarial Value of Assets is less than its Accrued Liability, the difference is the plan or pool's Unfunded Liability. If the Unfunded Liability is positive, the plan or pool will have to pay contributions exceeding the Normal Cost.



California Public Employees' Retirement System
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October 2014

**MISCELLANEOUS PLAN OF THE CITY OF NEWPORT BEACH (CalPERS ID: 1545983430)
Annual Valuation Report as of June 30, 2013**

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2013 actuarial valuation report of your pension plan. Your 2013 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the Actuarial Certification Section on page 1, is available to discuss the report with you after October 31, 2014.

Future Contribution Rates

The exhibit below displays the Minimum Employer Contribution Rate for fiscal year 2015-16 and a projected contribution rate for 2016-17, before any cost sharing. The projected rate for 2016-17 is based on the most recent information available, including an estimate of the investment return for fiscal year 2013-14, namely 18 percent, and the impact of the actuarial assumptions adopted by the CalPERS Board in February 2014 that will impact employer rates for the first time in fiscal year 2016-17. For a projection of employer rates beyond 2016-17, please refer to the "Projected Rates" in the "Risk Analysis" section, which includes rate projections through 2020-21 under a variety of investment return scenarios. Please disregard any projections that we may have provided you in the past.

Fiscal Year	Employer Contribution Rate
2015-16	21.080%
2016-17	22.8% (projected)

Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the above rates. **The employer contribution rates in this report do not reflect any cost sharing arrangement you may have with your employees.**

The estimate for 2016-17 also assumes that there are no future contract amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). This is a very important assumption because these gains and losses do occur and can have a significant impact on your contribution rate. Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate of one or two percent of payroll and may be even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rates are just estimates. Your actual rate for 2016-17 will be provided in next year's report.

Changes since the Prior Year's Valuation

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. The impact of the PEPRA changes are included in the rates and the benefit provision listings of the June 30, 2013 valuation for the 2015-16 rates. For more information on PEPRA, please refer to the CalPERS website.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Besides the above noted changes, there may also be changes specific to your plan such as contract amendments and funding changes.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A, "Actuarial Methods and Assumptions." The effect of the changes on your rate is included in the "Reconciliation of Required Employer Contributions."

We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after October 31 to contact us with actuarial questions. If you have other questions, you may call the Customer Contact Center at (888)-CalPERS or **(888-225-7377)**.

Sincerely,



ALAN MILLIGAN
Chief Actuary



ACTUARIAL VALUATION
as of June 30, 2013

for the
MISCELLANEOUS PLAN
of the
CITY OF NEWPORT BEACH
(CalPERS ID: 1545983430)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2015 – June 30, 2016

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ACTUARIAL CERTIFICATION

To the best of our knowledge, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the MISCELLANEOUS PLAN OF THE CITY OF NEWPORT BEACH. This valuation is based on the member and financial data as of June 30, 2013 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The undersigned is an actuary for CalPERS, who is a member of the American Academy of Actuaries and the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



KERRY J. WORGAN, MAAA, FSA, FCIA
Senior Pension Actuary, CalPERS

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HIGHLIGHTS AND EXECUTIVE SUMMARY

- **INTRODUCTION**
- **PURPOSE OF THE REPORT**
- **REQUIRED EMPLOYER CONTRIBUTION**
- **PLAN'S FUNDED STATUS**
- **COST**
- **CHANGES SINCE THE PRIOR YEAR'S VALUATION**
- **SUBSEQUENT EVENTS**

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Introduction

This report presents the results of the June 30, 2013 actuarial valuation of the MISCELLANEOUS PLAN OF THE CITY OF NEWPORT BEACH of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the fiscal year 2015-16 required employer contribution rates.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. The impact of most of the PEPRA changes are included in the rates and the benefit provision listings of the June 30, 2013 valuation, which sets the 2015-16 contribution rates. For more information on PEPRA, please refer to the CalPERS website.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy, which spread investment returns over a 15-year period while experience gains and losses were amortized over a rolling 30-year period. Effective with the June 30, 2013 valuations, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. The new amortization and smoothing policy is used in this valuation.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Purpose of the Report

The actuarial valuation was prepared by the CalPERS Actuarial Office using data as of June 30, 2013. The purpose of the report is to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2013;
- Determine the required employer contribution rate for the fiscal year July 1, 2015 through June 30, 2016;
- Provide actuarial information as of June 30, 2013 to the CalPERS Board of Administration and other interested parties; and to
- Provide pension information as of June 30, 2013 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

California Actuarial Advisory Panel Recommendations

This report includes all the basic disclosure elements as described in the *Model Disclosure Elements for Actuarial Valuation Reports* recommended in 2011 by the California Actuarial Advisory Panel (CAAP), with the exception of including the original base amounts of the various components of the unfunded liability in the Schedule of Amortization Bases shown on page 19.

Additionally, this report includes the following "Enhanced Risk Disclosures" also recommended by the CAAP in the Model Disclosure Elements document:

- A "Deterministic Stress Test," projecting future results under different investment income scenarios
- A "Sensitivity Analysis," showing the impact on current valuation results using a 1 percent plus or minus change in the discount rate.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contribution

	Fiscal Year 2014-15	Fiscal Year 2015-16
Actuarially Determined Employer Contributions		
1. Contribution in Projected Dollars		
a) Total Normal Cost	\$ 6,901,728	\$ 6,744,068
b) Employee Contribution ¹	3,494,546	3,349,580
c) Employer Normal Cost [(1a) – (1b)]	3,407,182	3,394,488
d) Unfunded Liability Contribution	4,811,881	5,452,620
e) Required Employer Contribution [(1c) + (1d)]	<u>\$ 8,219,063</u>	<u>\$ 8,847,108</u>
Projected Annual Payroll for Contribution Year	\$ 43,681,821	\$ 41,969,427
2. Contribution as a Percentage of Payroll		
a) Total Normal Cost	15.800%	16.069%
b) Employee Contribution ¹	8.000%	7.981%
c) Employer Normal Cost [(2a) – (2b)]	7.800%	8.088%
d) Unfunded Liability Rate	11.016%	12.992%
e) Required Employer Rate [(2c) + (2d)]	18.816%	21.080%
Minimum Employer Contribution Rate²	18.816%	21.080%
Annual Lump Sum Prepayment Option ³	\$ 7,927,168	\$ 8,532,909

¹For classic members this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

²The Minimum Employer Contribution Rate under PEPRA is the greater of the required employer rate or the employer normal cost.

³Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30. If there is contractual cost sharing or other change, this amount will change.

Plan's Funded Status

	June 30, 2012	June 30, 2013
1. Present Value of Projected Benefits	\$ 351,642,097	\$ 365,020,051
2. Entry Age Normal Accrued Liability	302,006,850	316,856,655
3. Market Value of Assets (MVA)	<u>\$ 200,149,332</u>	<u>\$ 222,107,686</u>
4. Unfunded Liability [(2) – (3)]	\$ 101,857,518	\$ 94,748,969
5. Funded Ratio [(3) / (2)]	66.3%	70.1%
Superfunded Status	No	No

Cost

Actuarial Cost Estimates in General

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

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

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long-term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5 percent for the past twenty year period ending June 30, 2013, returns for each fiscal year ranged from negative -24 percent to +21.7 percent.

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

- The Normal Cost (i.e., the annual cost associated with one year of service accrual) expressed as a percentage of total active payroll.
- The Past Service Cost or Accrued Liability (i.e., the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the employer rate will vary depending on the amortization period chosen.

Changes since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" and Appendix B for a summary of the plan provisions used in this valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on your employer contribution rate is shown in the "Reconciliation of Required Employer Contributions." It should be noted that no change in liability or rate is shown for any plan changes, which were already included in the prior year's valuation.

Actuarial Methods and Assumptions

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and rate smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate phased in over a 5-year period.

A change in the calculation of termination with vested benefits liability for active members was made this year to better reflect the retirement experience. After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54 rather than at earliest retirement age. The higher benefit factors at these ages results in a slightly higher liability and a modest increase in normal cost.

Public Employees' Pension Reform Act of 2013 (PEPRA)

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect, requiring that a public employer's contribution to a defined benefit plan, in combination with employee contributions to that defined benefit plan, shall not be less than the normal cost rate. Beginning July 1, 2013, this means that some plans with surplus will be paying more than they otherwise would. For more information on PEPRA, please refer to the CalPERS website.

Subsequent Events

Actuarial Methods and Assumptions

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns (see Risk Analysis section of report). The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent.

The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy. The impact of assumption changes are included in the "Expected Rate Increases" subsection of the "Risk Analysis" section.

ASSETS

- **RECONCILIATION OF THE MARKET VALUE OF ASSETS**
- **ASSET ALLOCATION**
- **CALPERS HISTORY OF INVESTMENT RETURNS**

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Reconciliation of the Market Value of Assets

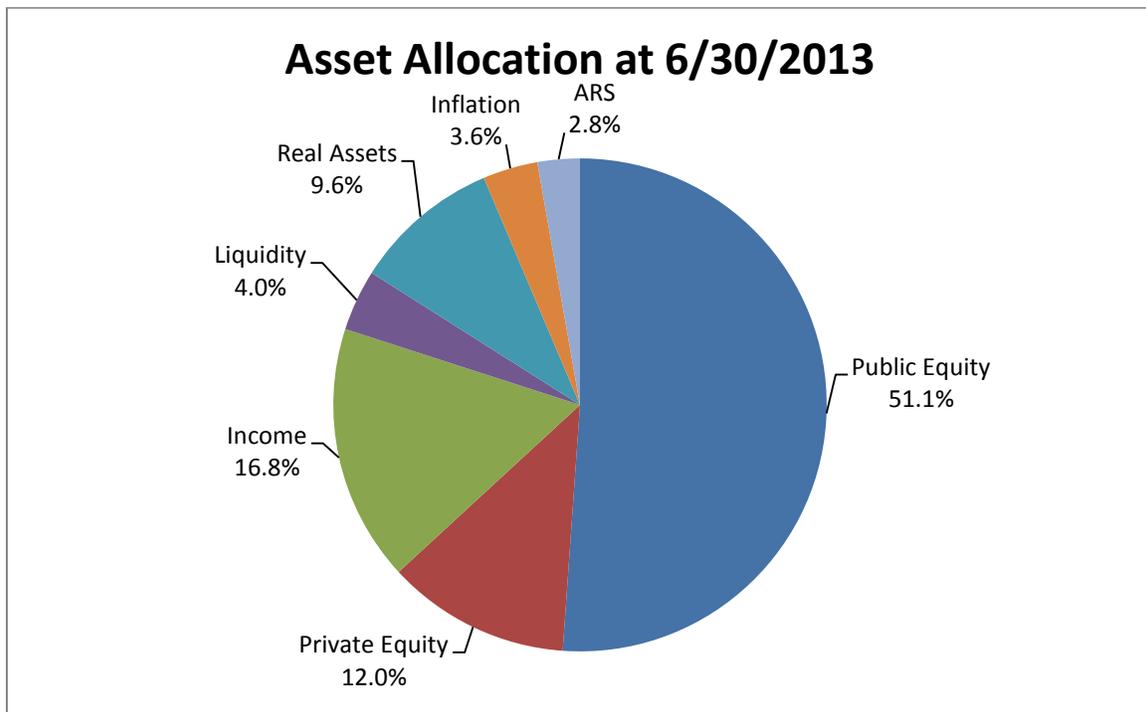
1.	Market Value of Assets as of 6/30/12 Including Receivables	\$	200,149,332
2.	Receivables for Service Buybacks as of 6/30/12		1,736,745
3.	Market Value of Assets as of 6/30/12		198,412,587
4.	Employer Contributions		5,892,806
5.	Employee Contributions		4,947,842
6.	Benefit Payments to Retirees and Beneficiaries		(13,720,388)
7.	Refunds		(267,453)
8.	Lump Sum Payments		0
9.	Transfers and Miscellaneous Adjustments		(359)
10.	Investment Return		25,175,719
11.	Market Value of Assets as of 6/30/13	\$	220,440,754
12.	Receivables for Service Buybacks as of 6/30/13		1,666,932
13.	Market Value of Assets as of 6/30/13 Including Receivables	\$	222,107,686

Asset Allocation

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. CalPERS recognizes that over 90 percent of the variation in investment returns of a well-diversified pool of assets can typically be attributed to asset allocation decisions. On February 19, 2014 the CalPERS Board of Administration adopted changes to the current asset allocation as shown in the Policy Target Allocation below expressed as percentage of total assets. The asset allocation is has an expected long term blended rate of return of 7.5 percent.

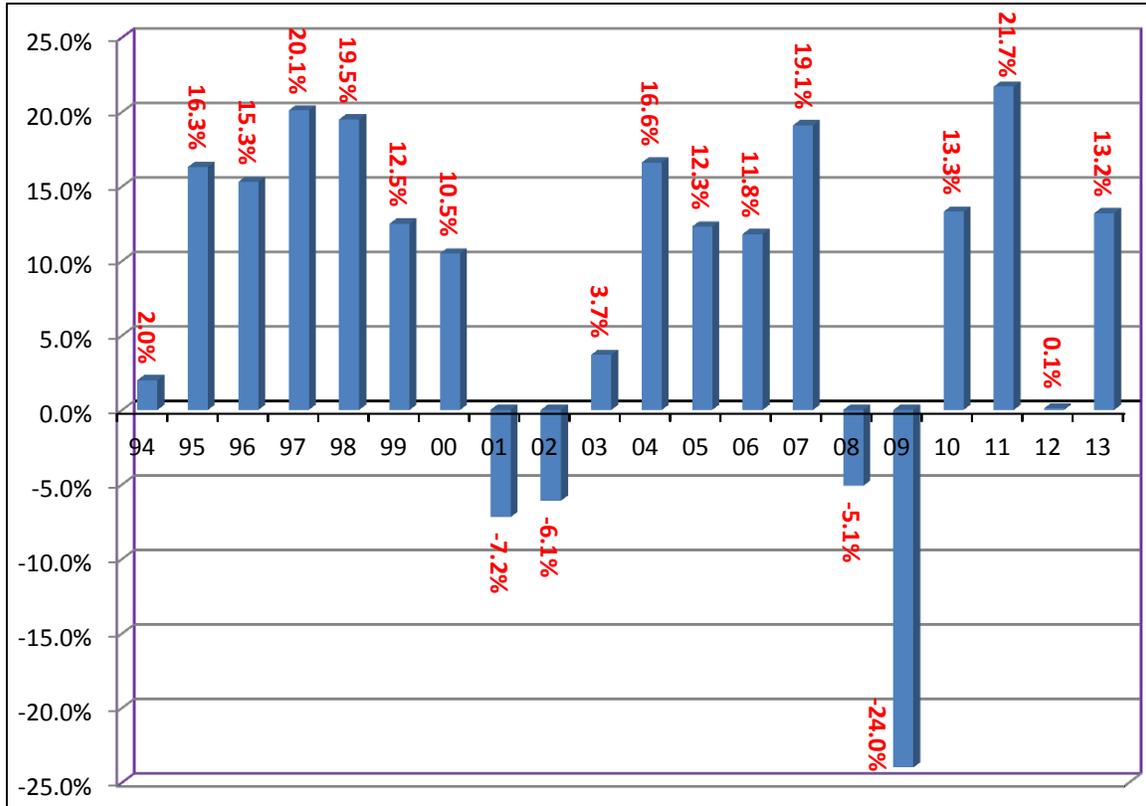
The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirety as of June 30, 2013. The assets for CITY OF NEWPORT BEACH MISCELLANEOUS PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value (\$ Billion)	(C) Policy Target Allocation
1) Global Equity	133.4	47.0%
2) Private Equity	31.4	12.0%
3) Global Fixed Income	43.9	19.0%
4) Liquidity	10.5	2.0%
5) Real Assets	25.2	14.0%
6) Inflation Sensitive Assets	9.4	6.0%
7) Absolute Return Strategy (ARS)	7.2	0.0%
Total Fund	\$261.0	100.0%



CalPERS History of Investment Returns

The following is a chart with the 20-year historical annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30. Beginning in 2002, the figures are reported as gross of fees.



The table below shows historical geometric mean annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30, 2013, (figures are reported as gross of fees). The geometric mean rate of return is the average rate per period compounded over multiple periods. It should be recognized that in any given year the rate of return is volatile. Although the expected rate of return on the recently adopted new asset allocation is 7.5 percent the portfolio has an expected volatility of 11.76 percent per year. Consequently when looking at investment returns it is more instructive to look at returns over longer time horizons.

History of CalPERS Geometric Mean Rates of Return and Volatilities					
	1 year	5 year	10 year	20 year	30 year
Geometric Return	13.2%	3.5%	7.0%	7.6%	9.4%
Volatility	-	17.9%	13.9%	11.8%	11.6%

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LIABILITIES AND RATES

- **DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES**
- **(GAIN) / LOSS ANALYSIS 06/30/12 - 06/30/13**
- **SCHEDULE OF AMORTIZATION BASES**
- **ALTERNATE AMORTIZATION SCHEDULES**
- **RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS**
- **EMPLOYER CONTRIBUTION RATE HISTORY**
- **FUNDING HISTORY**

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Development of Accrued and Unfunded Liabilities

1. Present Value of Projected Benefits		
a) Active Members	\$	170,830,427
b) Transferred Members		11,038,358
c) Terminated Members		11,951,694
d) Members and Beneficiaries Receiving Payments		<u>171,199,572</u>
e) Total	\$	365,020,051
2. Present Value of Future Employer Normal Costs	\$	23,273,719
3. Present Value of Future Employee Contributions	\$	24,889,677
4. Entry Age Normal Accrued Liability		
a) Active Members [(1a) - (2) - (3)]	\$	122,667,031
b) Transferred Members (1b)		11,038,358
c) Terminated Members (1c)		11,951,694
d) Members and Beneficiaries Receiving Payments (1d)		<u>171,199,572</u>
e) Total	\$	316,856,655
5. Market Value of Assets (MVA)	\$	222,107,686
6. Unfunded Liability [(4e) - (5)]	\$	94,748,969
7. Funded Ratio [(5) / (4e)]		70.1%

(Gain) /Loss Analysis 6/30/12 – 6/30/13

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

A Total (Gain)/Loss for the Year		
1.	Unfunded Accrued Liability (UAL) as of 6/30/12	\$ 63,136,858
2.	Expected Payment on the UAL during 2012/2013	3,541,814
3.	Interest through 6/30/13 $ [.075 \times (A1) - ((1.075)^{1/2} - 1) \times (A2)]$	4,604,847
4.	Expected UAL before all other changes $ [(A1) - (A2) + (A3)]$	64,199,891
5.	Change due to plan changes	0
6.	Change due to assumption change	0
7.	Expected UAL after all other changes $ [(A4) + (A5) + (A6)]$	64,199,891
8.	Actual UAL as of 6/30/13	94,748,969
9.	Total (Gain)/Loss for 2012/2013 $ [(A8) - (A7)]$	\$ 30,549,078
B Contribution (Gain)/Loss for the Year		
1.	Expected Contribution (Employer and Employee)	\$ 10,047,766
2.	Interest on Expected Contributions	369,980
3.	Actual Contributions	10,840,648
4.	Interest on Actual Contributions	399,175
5.	Expected Contributions with Interest $ [(B1) + (B2)]$	10,417,746
6.	Actual Contributions with Interest $ [(B3) + (B4)]$	11,239,823
7.	Contribution (Gain)/Loss $ [(B5) - (B6)]$	\$ (822,077)
C Asset (Gain)/Loss for the Year		
1.	Actuarial Value of Assets as of 6/30/12 Including Receivables	\$ 238,869,992
2.	Receivables as of 6/30/12	1,736,745
3.	Actuarial Value of Assets as of 6/30/12	237,133,247
4.	Contributions Received	10,840,648
5.	Benefits and Refunds Paid	(13,987,841)
6.	Transfers and miscellaneous adjustments	(359)
7.	Expected Int. $ [.075 \times (C3) + ((1.075)^{1/2} - 1) \times ((C4) + (C5) + (C6))]$	17,669,094
8.	Expected Assets as of 6/30/13 $ [(C3) + (C4) + (C5) + (C6) + (C7)]$	251,654,789
9.	Receivables as of 6/30/13	1,666,932
10.	Expected Assets Including Receivables	253,321,721
11.	Market Value of Assets as of 6/30/13	222,107,686
12.	Asset (Gain)/Loss $ [(C10) - (C11)]$	\$ 31,214,035
D Liability (Gain)/Loss for the Year		
1.	Total (Gain)/Loss (A9)	\$ 30,549,078
2.	Contribution (Gain)/Loss (B7)	(822,077)
3.	Asset (Gain)/Loss (C12)	31,214,035
4.	Liability (Gain)/Loss $ [(D1) - (D2) - (D3)]$	\$ 157,120

Schedule of Amortization Bases

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

- The assets, liabilities and funded status of the plan are measured as of the valuation date; June 30, 2013.
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date; fiscal year 2015-16.

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

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

Reason for Base	Date Established	Amortization Period	Balance 6/30/13	Expected Payment 2013-14	Balance 6/30/14	Expected Payment 2014-15	Amounts for Fiscal 2015-16		
							Balance 6/30/15	Scheduled Payment for 2015-16	Payment as Percentage of Payroll
FORCED FS OLD METHOD	06/30/11	19	\$60,535,312	\$4,433,469	\$60,478,742	\$4,566,473	\$60,280,027	\$4,703,467	11.207%
(GAIN)/LOSS	06/30/12	29	\$3,554,347	\$0	\$3,820,923	\$229,448	\$3,869,595	\$236,332	0.563%
(GAIN)/LOSS	06/30/13	30	\$30,659,310	\$(536,393)	\$33,514,902	\$(416,839)	\$36,460,708	\$512,821	1.222%
TOTAL			\$94,748,969	\$3,897,076	\$97,814,567	\$4,379,082	\$100,610,330	\$5,452,620	12.992%

Alternate Amortization Schedules

The amortization schedule shown on the previous page shows the minimum contributions required according to CalPERS amortization policy. There has been considerable interest from many agencies in paying off these unfunded accrued liabilities sooner and the possible savings in doing so. Therefore, we have provided alternate amortization schedules to help analyze your current amortization schedule and illustrate the advantages of accelerating payments towards your plan's unfunded liability of \$100,610,330 as of June 30, 2015, which under the minimum schedule, will require total payments of \$233,788,970. Shown below are the level rate payments required to amortize your plan's unfunded liability assuming a fresh start over the various periods noted. Note that the payments under each scenario would increase by 3 percent for each year into the future.

Period	Level Rate of Payroll Amortization				
	2015-16 Rate	2015-16 Payment	Total Payments	Total Interest	Difference from Current Schedule
20	18.100%	\$ 7,596,626	\$ 204,124,187	\$ 103,513,857	\$ 29,664,783
15	21.975%	\$ 9,222,902	\$ 171,535,963	\$ 70,925,633	\$ 62,253,007

If you are interested in changing your plan's amortization schedule please contact your plan actuary to discuss further.

Reconciliation of Required Employer Contributions

	Percentage of Projected Payroll	Estimated \$ Based on Projected Payroll
1. Contribution for 7/1/14 – 6/30/15	18.816%	\$ 8,219,063
2. Effect of changes since the prior year annual valuation		
a) Effect of unexpected changes in demographics and financial results	2.264%	950,249
b) Effect of plan changes	0.000%	0
c) Effect of changes in Assumptions	0.000%	0
d) Effect of change in payroll	-	(322,204)
e) Effect of elimination of amortization base	0.000%	0
f) Effect of changes due to Fresh Start	0.000%	0
g) Net effect of the changes above [Sum of (a) through (f)]	2.264%	628,045
3. Contribution for 7/1/15 – 6/30/16 [(1)+(2g)]	21.080%	8,847,108

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

Employer Contribution Rate History

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

Required By Valuation

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2010 - 2011	7.528%	3.298%	10.826%
2011 - 2012	7.747%	6.881%	14.628%
2012 - 2013	7.748%	8.655%	16.403%
2013 - 2014	7.972%	9.948%	17.920%
2014 - 2015	7.800%	11.016%	18.816%
2015 - 2016	8.088%	12.992%	21.080%

Funding History

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

Valuation Date	Accrued Liability	Market Value of Assets (MVA)	Funded Ratio	Annual Covered Payroll
06/30/08	\$ 217,377,776	\$ 199,721,639	91.9%	\$ 41,147,617
06/30/09	249,666,420	152,670,408	61.1%	42,892,547
06/30/10	269,462,732	171,984,696	63.8%	40,587,600
06/30/11	287,108,575	204,473,260	71.2%	40,786,550
06/30/12	302,006,850	200,149,332	66.3%	39,975,054
06/30/13	316,856,655	222,107,686	70.1%	38,407,971

RISK ANALYSIS

- **VOLATILITY RATIOS**
- **PROJECTED RATES**
- **ANALYSIS OF FUTURE INVESTMENT RETURN SCENARIOS**
- **ANALYSIS OF DISCOUNT RATE SENSITIVITY**
- **HYPOTHETICAL TERMINATION LIABILITY**

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Volatility Ratios

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

Asset Volatility Ratio (AVR)

Plans that have higher asset to payroll ratios produce more volatile employer rates due to investment return. For example, a plan with an asset to payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility, than a plan with an asset to payroll ratio of 4. Below we have shown your asset volatility ratio, a measure of the plan's current rate volatility. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio (LVR)

Plans that have higher liability to payroll ratios produce more volatile employer rates due to investment return and changes in liability. For example, a plan with a liability to payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability to payroll ratio of 4. The liability volatility ratio is also included in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility and the asset volatility ratio, described above, will tend to move closer to this ratio as the plan matures.

Rate Volatility	As of June 30, 2013	
1. Market Value of Assets without Receivables	\$	220,440,754
2. Payroll		38,407,971
3. Asset Volatility Ratio (AVR = 1. / 2.)		5.7
4. Accrued Liability	\$	316,856,655
5. Liability Volatility Ratio (LVR = 4. / 2.)		8.2

Projected Rates

The estimated rate for 2016-17 is based on a projection of the most recent information we have available, including an estimated 18 percent investment return for fiscal 2013-14, the impact of the new smoothing methods adopted by the CalPERS Board in April 2013 that will impact employer rates for the first time in 2015-16 and an estimate of the impact of the new actuarial assumptions adopted by the CalPERS Board in February 2014. These new demographic assumptions include a 20-year projection of on-going mortality improvement. A complete listing of the new demographic assumptions to be implemented with the June 30, 2014 annual actuarial valuation and incorporated in the projected rates for FY 2016-17 and beyond can be found on the CalPERS website at: <http://www.calpers.ca.gov/eip-docs/about/pubs/employer/actuarial-assumptions.xls>

The table below shows projected employer contribution rates (before cost sharing) for the next five Fiscal Years, assuming CalPERS earns 18 percent for fiscal year 2013-14 and 7.50 percent every fiscal year thereafter, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2016-17.

	New Rate	Projected Future Employer Contribution Rates				
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Contribution Rates:	21.080%	22.8%	24.0%	25.3%	26.5%	26.5%

Analysis of Future Investment Return Scenarios

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The newly adopted asset allocation has a lower expected investment volatility which will result in better risk characteristics than an equivalent margin for adverse deviation. The current asset allocation has an expected standard deviation of 12.45 percent while the newly adopted asset allocation has a lower expected standard deviation of 11.76 percent.

The investment return for fiscal year 2013-14 was announced July 14, 2014. The investment return in fiscal year 2013-14 is 18.42 percent before administrative expenses. This year, there will be no adjustment for real estate and private equities. For purposes of projecting future employer rates, we are assuming an 18.0 percent investment return for fiscal year 2013-14.

The investment return realized during a fiscal year first affects the contribution rate for the fiscal year two years later. Specifically, the investment return for 2013-14 will first be reflected in the June 30, 2014 actuarial valuation that will be used to set the 2016-17 employer contribution rates, the 2014-15 investment return will first be reflected in the June 30, 2015 actuarial valuation that will be used to set the 2017-18 employer contribution rates and so forth.

Based on a 18 percent investment return for fiscal year 2013-14, the April 17, 2013 CalPERS Board-approved amortization and rate smoothing method change, the February 18, 2014 new demographic assumptions including 20-year mortality improvement using Scale BB and assuming that all other actuarial assumptions will be realized, and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2016-17, the effect on the 2016-17 Employer Rate is as follows:

Estimated 2016-17 Employer Rate

22.8%

**Estimated Increase in Employer Rate between
2015-16 and 2016-17**

1.7%

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2014-15, 2015-16 and 2016-17 on the 2017-18, 2018-19 and 2019-20 employer rates. Once again, the projected rate increases assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

Five different investment return scenarios were selected.

- The first scenario is what one would expect if the markets were to give us a 5th percentile return from July 1, 2014 through June 30, 2017. The 5th percentile return corresponds to a -3.8 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2014 through June 30, 2017. The 25th percentile return corresponds to a 2.8 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- The third scenario assumed the return for 2014-15, 2015-16, 2016-17 would be our assumed 7.5 percent investment return which represents about a 49th percentile event.
- The fourth scenario is what one would expect if the markets were to give us a 75th percentile return from July 1, 2014 through June 30, 2017. The 75th percentile return corresponds to a 12.0 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- Finally, the last scenario is what one would expect if the markets were to give us a 95th percentile return from July 1, 2014 through June 30, 2017. The 95th percentile return corresponds to a 18.9 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.

The table below shows the estimated projected contribution rates and the estimated increases for your plan under the five different scenarios.

2014-17 Investment Return Scenario	Estimated Employer Rate			Estimated Change in Employer Rate between 2016-17 and 2019-20
	2017-18	2018-19	2019-20	
-3.8% (5th percentile)	25.1%	28.3%	32.5%	9.7%
2.8% (25th percentile)	24.4%	26.6%	29.1%	6.3%
7.5%	24.0%	25.3%	26.5%	3.8%
12.0%(75th percentile)	23.6%	24.0%	23.9%	1.1%
18.9%(95th percentile)	23.0%	21.9%	4.9%	-17.9%

Analysis of Discount Rate Sensitivity

The following analysis looks at the 2015-16 employer contribution rates under two different discount rate scenarios. Shown below are the employer contribution rates assuming discount rates that are 1 percent lower and 1 percent higher than the current valuation discount rate. This analysis gives an indication of the potential required employer contribution rates if the PERF were to realize investment returns of 6.50 percent or 8.50 percent over the long-term.

This type of analysis gives the reader a sense of the long-term risk to the employer contribution rates.

2015-16 Employer Contribution Rate			
As of June 30, 2013	6.50% Discount Rate (-1%)	7.50% Discount Rate (assumed rate)	8.50% Discount Rate (+1%)
Employer Normal Cost	12.149%	8.088%	5.011%
Accrued Liability	\$ 359,117,459	\$ 316,856,655	\$ 281,873,869
Unfunded Accrued Liability	\$ 137,009,773	\$ 94,748,969	\$ 59,766,183

Hypothetical Termination Liability

Below is an estimate of the financial position of your plan if you had terminated your contract with CalPERS as of June 30, 2013 using the discount rates shown below. Your plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For this hypothetical termination liability both compensation and service is frozen as of the valuation date and no future pay increases or service accruals are included. In December 2012, the CalPERS Board adopted a more conservative investment policy and asset allocation strategy for the Terminated Agency Pool. Since the Terminated Agency Pool has limited funding sources, expected benefit payments are secured by risk-free assets. With this change, CalPERS increased benefit security for members while limiting its funding risk. This asset allocation has a lower expected rate of return than the PERF. Consequently, the lower discount rate for the Terminated Agency pool results in higher liabilities for terminated plans.

In order to terminate your plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow your plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of your plan liabilities. CalPERS strongly advises you to consult with your plan actuary before beginning this process.

Valuation Date	Hypothetical Termination Liability¹	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Termination Liability Discount Rate²
06/30/11	\$ 404,197,103	\$ 204,473,260	\$ 199,723,843	50.6%	4.82%
06/30/12	545,690,864	200,149,332	345,541,532	36.7%	2.98%
06/30/13	508,685,155	222,107,686	286,577,469	43.7%	3.72%

¹ The hypothetical liabilities calculated above include a 7 percent mortality contingency load in accordance with Board policy. Other actuarial assumptions, such as wage and inflation assumptions, can be found in appendix A.

² The discount rate assumption used for termination valuations is a weighted average of the 10 and 30-year US Treasury yields in effect on the valuation date that equal the duration of the pension liabilities. For purposes of this hypothetical termination liability estimate, the discount rate used, is the yield on the 30-year US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS). Note that as of June 30, 2014 the 30-year STRIPS rate was 3.55 percent.

GASB STATEMENT NO. 27

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

Disclosure under GASB 27 follows. However, note that effective for financial statements for fiscal years beginning after June 15, 2014, GASB 68 replaces GASB 27. This will be the last year that GASB disclosure information will be included in your annual actuarial report. GASB 68 will require additional reporting that CalPERS is intending to provide upon request for an additional fee. We urge you to start discussions with your auditors on how to implement GASB 68.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). Since GASB 68 replaces GASB 27, for fiscal year 2015-16, the APC is replaced by the Actuarially Determined Contribution (ADC). The ADC for July 1, 2015 to June 30, 2016 is 21.080% percent of payroll. In order to calculate the dollar value of the ADC for inclusion in financial statements prepared as of June 30, 2016, this contribution rate, less any employee cost sharing, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2015 to June 30, 2016. The employer and the employer's auditor are responsible for determining the NPO, APC or ADC for a given fiscal year.

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

<u>Retirement Program</u>	
Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year period with Direct Rate Smoothing with a 5-year ramp up/ramp down. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. More detailed information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

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

Valuation Date	Accrued Liability (a)	Actuarial value of Assets* (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/09	\$ 249,666,420	\$ 207,817,811	\$ 41,848,609	83.2%	\$ 42,892,547	97.6%
06/30/10	269,462,732	218,258,404	51,204,328	81.0%	40,587,600	126.2%
06/30/11	287,108,575	228,755,012	58,353,563	79.7%	40,786,550	143.1%
06/30/12	302,006,850	238,869,992	63,136,858	79.1%	39,975,054	157.9%
06/30/13	316,856,655	222,107,686	94,748,969	70.1%	38,407,971	246.7%

* Beginning with the 6/30/2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

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PLAN'S MAJOR BENEFIT PROVISIONS

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Plan's Major Benefit Options

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

Benefit Provision	Contract Package				
	Receiving	Active Misc	Active Misc	Active Misc	Active Misc
Benefit Formula		2.0% @ 55	2.5% @ 55	2.0% @ 62	2.0% @ 60
Social Security Coverage		No	No	No	No
Full/Modified		Full	Full	Full	Full
Final Average Compensation Period		12 mos.	12 mos.	36 mos.	36 mos.
Sick Leave Credit		Yes	Yes	Yes	Yes
Non-Industrial Disability		Standard	Standard	Standard	Standard
Industrial Disability		No	No	No	No
Pre-Retirement Death Benefits					
Optional Settlement 2W		Yes	Yes	Yes	Yes
1959 Survivor Benefit Level		Level 4	Level 4	Level 4	Level 4
Special		No	No	No	No
Alternate (firefighters)		No	No	No	No
Post-Retirement Death Benefits					
Lump Sum	\$500	\$500	\$500	\$500	\$500
Survivor Allowance (PRSA)	No	No	No	No	No
COLA	2%	2%	2%	2%	2%

APPENDICES

- **APPENDIX A – ACTUARIAL METHODS AND ASSUMPTIONS**
- **APPENDIX B – PRINCIPAL PLAN PROVISIONS**
- **APPENDIX C – PARTICIPANT DATA**
- **APPENDIX D – DEVELOPMENT OF PPERA MEMBER CONTRIBUTION RATES**
- **APPENDIX E – GLOSSARY OF ACTUARIAL TERMS**

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APPENDIX A

ACTUARIAL METHODS AND ASSUMPTIONS

- **ACTUARIAL DATA**
- **ACTUARIAL METHODS**
- **ACTUARIAL ASSUMPTIONS**
- **MISCELLANEOUS**

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Actuarial Data

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

Actuarial Methods

Funding Method

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

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

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. Commencing with the June 30, 2013 valuation all new gains or losses are tracked and amortized over a fixed 30-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes), changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. Changes in unfunded accrued liability due to a Golden Handshake will be amortized over a period of 5 years. If a plan's accrued liability exceeds the market value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability. An exception has been made for the change in asset value from actuarial to market value in this valuation. The CalPERS Board approved a 30-year amortization with a 5-year ramp-up/ramp-down for only this change in method.

Additional contributions will be required for any plan or pool if their cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis to either:

- Increase by at least 15 percent by June 30, 2043; or
- Reach a level of 75 percent funded by June 30, 2043

The necessary additional contribution will be obtained by changing the amortization period of the gains and losses, except for those occurring in the fiscal years 2008-2009, 2009-2010, and 2010-2011 to a period, which will result in the satisfaction of the above criteria. CalPERS actuaries will reassess the criteria above when performing each future valuation to determine whether or not additional contributions are necessary.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases, a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. As mentioned above, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. However, in

the case of a 30-year fresh start, just the unfunded liability not already in the (gain)/loss base (which is already amortized over 30 years), will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

- 1) When a positive payment would be required on a negative unfunded actuarial liability (or conversely a negative payment on a positive unfunded actuarial liability); or
- 2) When there are excess assets, rather than an unfunded liability. In this situation, a 30-year fresh start is used, unless a longer fresh start is needed to avoid a negative total rate.

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

Asset Valuation Method

It is the policy of the CalPERS Board of Administration to use professionally accepted amortization methods to eliminate unfunded accrued liabilities or surpluses in a manner that maintains benefit security for the members of the System while minimizing substantial variations in employer contribution rates. On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5 year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

Actuarial Assumptions

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy. For more details, please refer to the experience study report that can be found at the following link: <http://www.calpers.ca.gov/eip-docs/about/pubs/employer/2014-experience-study.pdf>

Economic Assumptions

Discount Rate

7.5 percent compounded annually (net of expenses). This assumption is used for all plans.

Termination Liability Discount Rate

The discount rate used for termination valuation is a weighted average of the 10 and 30-year US Treasury yields in effect on the valuation date that equal the duration of the pension liabilities. For purposes of this hypothetical termination liability estimate, the discount rate used, 3.72 percent, is the yield on the 30-year US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS) as of June 30, 2013. Please note, as of June 30, 2014 the 30-year STRIPS yield was 3.55 percent.

Salary Growth

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

Public Agency Miscellaneous			
<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.1420	0.1240	0.0980
1	0.1190	0.1050	0.0850
2	0.1010	0.0910	0.0750
3	0.0880	0.0800	0.0670
4	0.0780	0.0710	0.0610
5	0.0700	0.0650	0.0560
10	0.0480	0.0460	0.0410
15	0.0430	0.0410	0.0360
20	0.0390	0.0370	0.0330
25	0.0360	0.0360	0.0330
30	0.0360	0.0360	0.0330

Salary Growth (continued)

Public Agency Fire			
<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.1050	0.1050	0.1020
1	0.0950	0.0940	0.0850
2	0.0870	0.0830	0.0700
3	0.0800	0.0750	0.0600
4	0.0740	0.0680	0.0510
5	0.0690	0.0620	0.0450
10	0.0510	0.0460	0.0350
15	0.0410	0.0390	0.0340
20	0.0370	0.0360	0.0330
25	0.0350	0.0350	0.0330
30	0.0350	0.0350	0.0330

Public Agency Police			
<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.1090	0.1090	0.1090
1	0.0930	0.0930	0.0930
2	0.0810	0.0810	0.0780
3	0.0720	0.0700	0.0640
4	0.0650	0.0610	0.0550
5	0.0590	0.0550	0.0480
10	0.0450	0.0420	0.0340
15	0.0410	0.0390	0.0330
20	0.0370	0.0360	0.0330
25	0.0350	0.0340	0.0330
30	0.0350	0.0340	0.0330

Public Agency County Peace Officers			
<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.1290	0.1290	0.1290
1	0.1090	0.1060	0.1030
2	0.0940	0.0890	0.0840
3	0.0820	0.0770	0.0710
4	0.0730	0.0670	0.0610
5	0.0660	0.0600	0.0530
10	0.0460	0.0420	0.0380
15	0.0410	0.0380	0.0360
20	0.0370	0.0360	0.0340
25	0.0350	0.0340	0.0330
30	0.0350	0.0340	0.0330

Schools			
Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1080	0.0960	0.0820
1	0.0940	0.0850	0.0740
2	0.0840	0.0770	0.0670
3	0.0750	0.0700	0.0620
4	0.0690	0.0640	0.0570
5	0.0630	0.0600	0.0530
10	0.0450	0.0440	0.0410
15	0.0390	0.0380	0.0350
20	0.0360	0.0350	0.0320
25	0.0340	0.0340	0.0320
30	0.0340	0.0340	0.0320

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

Overall Payroll Growth

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

Inflation

2.75 percent compounded annually. This assumption is used for all plans.

Non-valued Potential Additional Liabilities

The potential liability loss for a cost-of-living increase exceeding the 2.75 percent inflation assumption, and any potential liability loss from future member service purchases are not reflected in the valuation.

Miscellaneous Loading Factors

Credit for Unused Sick Leave

Total years of service is increased by 1 percent for those plans that have accepted the provision providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)

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

Norris Decision (Best Factors)

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

Termination Liability

The termination liabilities include a 7 percent contingency load. This load is for unforeseen improvements in mortality.

Demographic Assumptions

Pre-Retirement Mortality

Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial

death rates are used for Safety Plans (except for Local Prosecutor safety members where the corresponding Miscellaneous Plan does not have the Industrial Death Benefit).

Age	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
	Male	Female	Male and Female
20	0.00047	0.00016	0.00003
25	0.00050	0.00026	0.00007
30	0.00053	0.00036	0.00010
35	0.00067	0.00046	0.00012
40	0.00087	0.00065	0.00013
45	0.00120	0.00093	0.00014
50	0.00176	0.00126	0.00015
55	0.00260	0.00176	0.00016
60	0.00395	0.00266	0.00017
65	0.00608	0.00419	0.00018
70	0.00914	0.00649	0.00019
75	0.01220	0.00878	0.00020
80	0.01527	0.01108	0.00021

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

Post-Retirement Mortality

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

Age	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
	Male	Female	Male	Female	Male	Female
50	0.00239	0.00125	0.01632	0.01245	0.00443	0.00356
55	0.00474	0.00243	0.01936	0.01580	0.00563	0.00546
60	0.00720	0.00431	0.02293	0.01628	0.00777	0.00798
65	0.01069	0.00775	0.03174	0.01969	0.01388	0.01184
70	0.01675	0.01244	0.03870	0.03019	0.02236	0.01716
75	0.03080	0.02071	0.06001	0.03915	0.03585	0.02665
80	0.05270	0.03749	0.08388	0.05555	0.06926	0.04528
85	0.09775	0.07005	0.14035	0.09577	0.11799	0.08017
90	0.16747	0.12404	0.21554	0.14949	0.16575	0.13775
95	0.25659	0.21556	0.31025	0.23055	0.26108	0.23331
100	0.34551	0.31876	0.45905	0.37662	0.40918	0.35165
105	0.58527	0.56093	0.67923	0.61523	0.64127	0.60135
110	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

On February 19, 2014 the CalPERS Board adopted new recommended demographic assumption based on the most recent CalPERS Experience Study. These new actuarial assumptions will be implemented for the first time in the June 30, 2014 valuation. For purposes of the post-retirement mortality rates, the revised rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries.

Marital Status

For active members, a percentage who are married upon retirement is assumed according to member category as shown in the following table.

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

Age of Spouse

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

Terminated Members

It is assumed that terminated members refund immediately if non-vested. Terminated members who are vested are assumed to follow the same service retirement pattern as active members but with a load to reflect the expected higher rates of retirement, especially at lower ages. The following table shows the load factors that are applied to the service retirement assumption for active members to obtain the service retirement pattern for separated vested members:

Age	Load Factor
50	450%
51	250%
52 through 56	200%
57 through 60	150%
61 through 64	125%
65 and above	100% (no change)

Termination with Refund

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

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1742	0.1674	0.1606	0.1537	0.1468	0.1400
1	0.1545	0.1477	0.1409	0.1339	0.1271	0.1203
2	0.1348	0.1280	0.1212	0.1142	0.1074	0.1006
3	0.1151	0.1083	0.1015	0.0945	0.0877	0.0809
4	0.0954	0.0886	0.0818	0.0748	0.0680	0.0612
5	0.0212	0.0193	0.0174	0.0155	0.0136	0.0116
10	0.0138	0.0121	0.0104	0.0088	0.0071	0.0055
15	0.0060	0.0051	0.0042	0.0032	0.0023	0.0014
20	0.0037	0.0029	0.0021	0.0013	0.0005	0.0001
25	0.0017	0.0011	0.0005	0.0001	0.0001	0.0001
30	0.0005	0.0001	0.0001	0.0001	0.0001	0.0001
35	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
0	0.0710	0.1013	0.0997
1	0.0554	0.0636	0.0782
2	0.0398	0.0271	0.0566
3	0.0242	0.0258	0.0437
4	0.0218	0.0245	0.0414
5	0.0029	0.0086	0.0145
10	0.0009	0.0053	0.0089
15	0.0006	0.0027	0.0045
20	0.0005	0.0017	0.0020
25	0.0003	0.0012	0.0009
30	0.0003	0.0009	0.0006
35	0.0003	0.0009	0.0006

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

Schools

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1730	0.1627	0.1525	0.1422	0.1319	0.1217
1	0.1585	0.1482	0.1379	0.1277	0.1174	0.1071
2	0.1440	0.1336	0.1234	0.1131	0.1028	0.0926
3	0.1295	0.1192	0.1089	0.0987	0.0884	0.0781
4	0.1149	0.1046	0.0944	0.0841	0.0738	0.0636
5	0.0278	0.0249	0.0221	0.0192	0.0164	0.0135
10	0.0172	0.0147	0.0122	0.0098	0.0074	0.0049
15	0.0115	0.0094	0.0074	0.0053	0.0032	0.0011
20	0.0073	0.0055	0.0038	0.0020	0.0002	0.0002
25	0.0037	0.0023	0.0010	0.0002	0.0002	0.0002
30	0.0015	0.0003	0.0002	0.0002	0.0002	0.0002
35	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002

Termination with Vested Benefits

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

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0656	0.0597	0.0537	0.0477	0.0418
10	0.0530	0.0466	0.0403	0.0339	0.0000
15	0.0443	0.0373	0.0305	0.0000	0.0000
20	0.0333	0.0261	0.0000	0.0000	0.0000
25	0.0212	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0163	0.0265
10	0.0061	0.0126	0.0204
15	0.0058	0.0082	0.0130
20	0.0053	0.0065	0.0074
25	0.0047	0.0058	0.0043
30	0.0045	0.0056	0.0030
35	0.0000	0.0000	0.0000

- When a member is eligible to retire, the termination with vested benefits probability is set to zero.
- After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54.
- The Police Termination with vested benefits rates are also used for Public Agency Local Prosecutors, Other Safety, Local Sheriff and School Police.

Schools

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0816	0.0733	0.0649	0.0566	0.0482
10	0.0629	0.0540	0.0450	0.0359	0.0000
15	0.0537	0.0440	0.0344	0.0000	0.0000
20	0.0420	0.0317	0.0000	0.0000	0.0000
25	0.0291	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

Non-Industrial (Not Job-Related) Disability

Rates vary by age and gender for Miscellaneous Plans. Rates vary by age and category for Safety Plans.

Age	Miscellaneous		Fire	Police	County Peace Officer	Schools	
	Male	Female	Male and Female	Male and Female	Male and Female	Male	Female
20	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
30	0.0002	0.0002	0.0001	0.0002	0.0001	0.0002	0.0001
35	0.0006	0.0009	0.0001	0.0003	0.0004	0.0006	0.0004
40	0.0015	0.0016	0.0001	0.0004	0.0007	0.0014	0.0009
45	0.0025	0.0024	0.0002	0.0005	0.0013	0.0028	0.0017
50	0.0033	0.0031	0.0005	0.0008	0.0018	0.0044	0.0030
55	0.0037	0.0031	0.0010	0.0013	0.0010	0.0049	0.0034
60	0.0038	0.0025	0.0015	0.0020	0.0006	0.0043	0.0024

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

Industrial (Job-Related) Disability

Rates vary by age and category.

<u>Age</u>	<u>Fire</u>	<u>Police</u>	<u>County Peace Officer</u>
20	0.0002	0.0007	0.0003
25	0.0012	0.0032	0.0015
30	0.0025	0.0064	0.0031
35	0.0037	0.0097	0.0046
40	0.0049	0.0129	0.0063
45	0.0061	0.0161	0.0078
50	0.0074	0.0192	0.0101
55	0.0721	0.0668	0.0173
60	0.0721	0.0668	0.0173

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

Service Retirement

Retirement rates vary by age, service, and formula, except for the safety ½ @ 55 and 2% @ 55 formulas, where retirement rates vary by age only.

Service Retirement

Public Agency Miscellaneous 1.5% @ 65

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.008	0.011	0.013	0.015	0.017	0.019
51	0.007	0.010	0.012	0.013	0.015	0.017
52	0.010	0.014	0.017	0.019	0.021	0.024
53	0.008	0.012	0.015	0.017	0.019	0.022
54	0.012	0.016	0.019	0.022	0.025	0.028
55	0.018	0.025	0.031	0.035	0.038	0.043
56	0.015	0.021	0.025	0.029	0.032	0.036
57	0.020	0.028	0.033	0.038	0.043	0.048
58	0.024	0.033	0.040	0.046	0.052	0.058
59	0.028	0.039	0.048	0.054	0.060	0.067
60	0.049	0.069	0.083	0.094	0.105	0.118
61	0.062	0.087	0.106	0.120	0.133	0.150
62	0.104	0.146	0.177	0.200	0.223	0.251
63	0.099	0.139	0.169	0.191	0.213	0.239
64	0.097	0.136	0.165	0.186	0.209	0.233
65	0.140	0.197	0.240	0.271	0.302	0.339
66	0.092	0.130	0.157	0.177	0.198	0.222
67	0.129	0.181	0.220	0.249	0.277	0.311
68	0.092	0.129	0.156	0.177	0.197	0.221
69	0.092	0.130	0.158	0.178	0.199	0.224
70	0.103	0.144	0.175	0.198	0.221	0.248

Public Agency Miscellaneous 2% @ 60

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.011	0.015	0.018	0.021	0.023	0.026
51	0.009	0.013	0.016	0.018	0.020	0.023
52	0.013	0.018	0.022	0.025	0.028	0.031
53	0.011	0.016	0.019	0.022	0.025	0.028
54	0.015	0.021	0.025	0.028	0.032	0.036
55	0.023	0.032	0.039	0.044	0.049	0.055
56	0.019	0.027	0.032	0.037	0.041	0.046
57	0.025	0.035	0.042	0.048	0.054	0.060
58	0.030	0.042	0.051	0.058	0.065	0.073
59	0.035	0.049	0.060	0.068	0.076	0.085
60	0.062	0.087	0.105	0.119	0.133	0.149
61	0.079	0.110	0.134	0.152	0.169	0.190
62	0.132	0.186	0.225	0.255	0.284	0.319
63	0.126	0.178	0.216	0.244	0.272	0.305
64	0.122	0.171	0.207	0.234	0.262	0.293
65	0.173	0.243	0.296	0.334	0.373	0.418
66	0.114	0.160	0.194	0.219	0.245	0.274
67	0.159	0.223	0.271	0.307	0.342	0.384
68	0.113	0.159	0.193	0.218	0.243	0.273
69	0.114	0.161	0.195	0.220	0.246	0.276
70	0.127	0.178	0.216	0.244	0.273	0.306

Service Retirement

Public Agency Miscellaneous 2% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.015	0.020	0.024	0.029	0.033	0.039
51	0.013	0.016	0.020	0.024	0.027	0.033
52	0.014	0.018	0.022	0.027	0.030	0.036
53	0.017	0.022	0.027	0.032	0.037	0.043
54	0.027	0.034	0.041	0.049	0.056	0.067
55	0.050	0.064	0.078	0.094	0.107	0.127
56	0.045	0.057	0.069	0.083	0.095	0.113
57	0.048	0.061	0.074	0.090	0.102	0.122
58	0.052	0.066	0.080	0.097	0.110	0.131
59	0.060	0.076	0.092	0.111	0.127	0.151
60	0.072	0.092	0.112	0.134	0.153	0.182
61	0.089	0.113	0.137	0.165	0.188	0.224
62	0.128	0.162	0.197	0.237	0.270	0.322
63	0.129	0.164	0.199	0.239	0.273	0.325
64	0.116	0.148	0.180	0.216	0.247	0.294
65	0.174	0.221	0.269	0.323	0.369	0.439
66	0.135	0.171	0.208	0.250	0.285	0.340
67	0.133	0.169	0.206	0.247	0.282	0.336
68	0.118	0.150	0.182	0.219	0.250	0.297
69	0.116	0.147	0.179	0.215	0.246	0.293
70	0.138	0.176	0.214	0.257	0.293	0.349

Public Agency Miscellaneous 2.5% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.026	0.033	0.040	0.048	0.055	0.062
51	0.021	0.026	0.032	0.038	0.043	0.049
52	0.021	0.026	0.032	0.038	0.043	0.049
53	0.026	0.033	0.040	0.048	0.055	0.062
54	0.043	0.054	0.066	0.078	0.089	0.101
55	0.088	0.112	0.136	0.160	0.184	0.208
56	0.055	0.070	0.085	0.100	0.115	0.130
57	0.061	0.077	0.094	0.110	0.127	0.143
58	0.072	0.091	0.111	0.130	0.150	0.169
59	0.083	0.105	0.128	0.150	0.173	0.195
60	0.088	0.112	0.136	0.160	0.184	0.208
61	0.083	0.105	0.128	0.150	0.173	0.195
62	0.121	0.154	0.187	0.220	0.253	0.286
63	0.105	0.133	0.162	0.190	0.219	0.247
64	0.105	0.133	0.162	0.190	0.219	0.247
65	0.143	0.182	0.221	0.260	0.299	0.338
66	0.105	0.133	0.162	0.190	0.219	0.247
67	0.105	0.133	0.162	0.190	0.219	0.247
68	0.105	0.133	0.162	0.190	0.219	0.247
69	0.105	0.133	0.162	0.190	0.219	0.247
70	0.125	0.160	0.194	0.228	0.262	0.296

Service Retirement

Public Agency Miscellaneous 2.7% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.028	0.035	0.043	0.050	0.058	0.065
51	0.022	0.028	0.034	0.040	0.046	0.052
52	0.022	0.028	0.034	0.040	0.046	0.052
53	0.028	0.035	0.043	0.050	0.058	0.065
54	0.044	0.056	0.068	0.080	0.092	0.104
55	0.091	0.116	0.140	0.165	0.190	0.215
56	0.061	0.077	0.094	0.110	0.127	0.143
57	0.063	0.081	0.098	0.115	0.132	0.150
58	0.074	0.095	0.115	0.135	0.155	0.176
59	0.083	0.105	0.128	0.150	0.173	0.195
60	0.088	0.112	0.136	0.160	0.184	0.208
61	0.085	0.109	0.132	0.155	0.178	0.202
62	0.124	0.158	0.191	0.225	0.259	0.293
63	0.107	0.137	0.166	0.195	0.224	0.254
64	0.107	0.137	0.166	0.195	0.224	0.254
65	0.146	0.186	0.225	0.265	0.305	0.345
66	0.107	0.137	0.166	0.195	0.224	0.254
67	0.107	0.137	0.166	0.195	0.224	0.254
68	0.107	0.137	0.166	0.195	0.224	0.254
69	0.107	0.137	0.166	0.195	0.224	0.254
70	0.129	0.164	0.199	0.234	0.269	0.304

Public Agency Miscellaneous 3% @ 60

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.026	0.033	0.040	0.048	0.055	0.062
51	0.021	0.026	0.032	0.038	0.043	0.049
52	0.019	0.025	0.030	0.035	0.040	0.046
53	0.025	0.032	0.038	0.045	0.052	0.059
54	0.039	0.049	0.060	0.070	0.081	0.091
55	0.083	0.105	0.128	0.150	0.173	0.195
56	0.055	0.070	0.085	0.100	0.115	0.130
57	0.061	0.077	0.094	0.110	0.127	0.143
58	0.072	0.091	0.111	0.130	0.150	0.169
59	0.080	0.102	0.123	0.145	0.167	0.189
60	0.094	0.119	0.145	0.170	0.196	0.221
61	0.088	0.112	0.136	0.160	0.184	0.208
62	0.127	0.161	0.196	0.230	0.265	0.299
63	0.110	0.140	0.170	0.200	0.230	0.260
64	0.110	0.140	0.170	0.200	0.230	0.260
65	0.149	0.189	0.230	0.270	0.311	0.351
66	0.110	0.140	0.170	0.200	0.230	0.260
67	0.110	0.140	0.170	0.200	0.230	0.260
68	0.110	0.140	0.170	0.200	0.230	0.260
69	0.110	0.140	0.170	0.200	0.230	0.260
70	0.132	0.168	0.204	0.240	0.276	0.312

Service Retirement

Public Agency Miscellaneous 2% @ 62

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
51	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
52	0.0103	0.0132	0.0160	0.0188	0.0216	0.0244
53	0.0131	0.0167	0.0202	0.0238	0.0273	0.0309
54	0.0213	0.0272	0.0330	0.0388	0.0446	0.0504
55	0.0440	0.0560	0.0680	0.0800	0.0920	0.1040
56	0.0303	0.0385	0.0468	0.0550	0.0633	0.0715
57	0.0363	0.0462	0.0561	0.0660	0.0759	0.0858
58	0.00465	0.0592	0.0718	0.0845	0.0972	0.1099
59	0.0578	0.0735	0.0893	0.1050	0.1208	0.1365
60	0.0616	0.0784	0.0952	0.1120	0.1288	0.1456
61	0.0888	0.0788	0.0956	0.1125	0.1294	0.1463
62	0.0941	0.1232	0.1496	0.1760	0.2024	0.2288
63	0.1287	0.1131	0.1373	0.1615	0.1857	0.2100
64	0.1045	0.1197	0.1454	0.1710	0.1967	0.2223
65	0.1045	0.1638	0.1989	0.2340	0.2691	0.3042
66	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
67	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
68	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
69	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.9640

Service Retirement

Public Agency Fire ½ @ 55 and 2% @ 55

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

Public Agency Police ½ @ 55 and 2% @ 55

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

Service Retirement

Public Agency Police 2% @ 50						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.014	0.014	0.014	0.014	0.025	0.045
51	0.012	0.012	0.012	0.012	0.023	0.040
52	0.026	0.026	0.026	0.026	0.048	0.086
53	0.052	0.052	0.052	0.052	0.096	0.171
54	0.070	0.070	0.070	0.070	0.128	0.227
55	0.090	0.090	0.090	0.090	0.165	0.293
56	0.064	0.064	0.064	0.064	0.117	0.208
57	0.071	0.071	0.071	0.071	0.130	0.232
58	0.063	0.063	0.063	0.063	0.115	0.205
59	0.140	0.140	0.140	0.140	0.174	0.254
60	0.140	0.140	0.140	0.140	0.172	0.251
61	0.140	0.140	0.140	0.140	0.172	0.251
62	0.140	0.140	0.140	0.140	0.172	0.251
63	0.140	0.140	0.140	0.140	0.172	0.251
64	0.140	0.140	0.140	0.140	0.172	0.251
65	1.000	1.000	1.000	1.000	1.000	1.000

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

Service Retirement

Public Agency Fire 2% @ 50						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.007	0.007	0.007	0.007	0.010	0.015
51	0.008	0.008	0.008	0.008	0.013	0.019
52	0.017	0.017	0.017	0.017	0.027	0.040
53	0.047	0.047	0.047	0.047	0.072	0.107
54	0.064	0.064	0.064	0.064	0.098	0.147
55	0.087	0.087	0.087	0.087	0.134	0.200
56	0.078	0.078	0.078	0.078	0.120	0.180
57	0.090	0.090	0.090	0.090	0.139	0.208
58	0.079	0.079	0.079	0.079	0.122	0.182
59	0.073	0.073	0.073	0.073	0.112	0.168
60	0.114	0.114	0.114	0.114	0.175	0.262
61	0.114	0.114	0.114	0.114	0.175	0.262
62	0.114	0.114	0.114	0.114	0.175	0.262
63	0.114	0.114	0.114	0.114	0.175	0.262
64	0.114	0.114	0.114	0.114	0.175	0.262
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 3% @ 55						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.019	0.019	0.019	0.019	0.040	0.060
51	0.024	0.024	0.024	0.024	0.049	0.074
52	0.024	0.024	0.024	0.024	0.051	0.077
53	0.059	0.059	0.059	0.059	0.121	0.183
54	0.069	0.069	0.069	0.069	0.142	0.215
55	0.116	0.116	0.116	0.116	0.240	0.363
56	0.076	0.076	0.076	0.076	0.156	0.236
57	0.058	0.058	0.058	0.058	0.120	0.181
58	0.076	0.076	0.076	0.076	0.157	0.237
59	0.094	0.094	0.094	0.094	0.193	0.292
60	0.141	0.141	0.141	0.141	0.290	0.438
61	0.094	0.094	0.094	0.094	0.193	0.292
62	0.118	0.118	0.118	0.118	0.241	0.365
63	0.094	0.094	0.094	0.094	0.193	0.292
64	0.094	0.094	0.094	0.094	0.193	0.292
65	1.000	1.000	1.000	1.000	1.000	1.000

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

Service Retirement

Public Agency Fire 3% @ 55						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.012	0.012	0.012	0.018	0.028	0.033
51	0.008	0.008	0.008	0.012	0.019	0.022
52	0.018	0.018	0.018	0.027	0.042	0.050
53	0.043	0.043	0.043	0.062	0.098	0.114
54	0.057	0.057	0.057	0.083	0.131	0.152
55	0.092	0.092	0.092	0.134	0.211	0.246
56	0.081	0.081	0.081	0.118	0.187	0.218
57	0.100	0.100	0.100	0.146	0.230	0.268
58	0.081	0.081	0.081	0.119	0.187	0.219
59	0.078	0.078	0.078	0.113	0.178	0.208
60	0.117	0.117	0.117	0.170	0.267	0.312
61	0.078	0.078	0.078	0.113	0.178	0.208
62	0.098	0.098	0.098	0.141	0.223	0.260
63	0.078	0.078	0.078	0.113	0.178	0.208
64	0.078	0.078	0.078	0.113	0.178	0.208
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 2% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0110	0.0110	0.0110	0.0110	0.0202	0.0361
51	0.0086	0.0086	0.0086	0.0086	0.0158	0.0281
52	0.0183	0.0183	0.0183	0.0183	0.0336	0.0599
53	0.0366	0.0366	0.0366	0.0366	0.0670	0.1194
54	0.0488	0.0488	0.0488	0.0488	0.0893	0.1592
55	0.0629	0.0629	0.0629	0.0629	0.1152	0.2052
56	0.0447	0.0447	0.0447	0.0447	0.0816	0.1455
57	0.0640	0.0640	0.0640	0.0640	0.1170	0.2086
58	0.0471	0.0471	0.0471	0.0471	0.0862	0.1537
59	0.1047	0.1047	0.1047	0.1047	0.1301	0.1908
60	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
61	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
62	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
63	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
64	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

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

Service Retirement

Public Agency Fire 2% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0052	0.0052	0.0052	0.0052	0.0081	0.0121
51	0.0057	0.0057	0.0057	0.0057	0.0088	0.0131
52	0.0121	0.0121	0.0121	0.0121	0.0187	0.0280
53	0.0326	0.0326	0.0326	0.0326	0.0501	0.0750
54	0.0447	0.0447	0.0447	0.0447	0.0688	0.1030
55	0.0608	0.0608	0.0608	0.0608	0.0935	0.1400
56	0.0545	0.0545	0.0545	0.0545	0.0840	0.1257
57	0.0811	0.0811	0.0811	0.0811	0.01248	0.1869
58	0.0593	0.0593	0.0593	0.0593	0.0913	0.1366
59	0.0547	0.0547	0.0547	0.0547	0.0842	0.1261
60	0.0851	0.0851	0.0851	0.0851	0.1310	0.1961
61	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
62	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
63	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
64	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Service Retirement

Public Agency Police 2.5% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
51	0.0117	0.0117	0.0117	0.0117	0.0215	0.0382
52	0.0249	0.0249	0.0249	0.0249	0.0456	0.0812
53	0.0471	0.0471	0.0471	0.0471	0.0861	0.1535
54	0.0627	0.0627	0.0627	0.0627	0.1148	0.2047
55	0.0764	0.0764	0.0764	0.0764	0.1398	0.2492
56	0.0542	0.0542	0.0542	0.0542	0.0991	0.1767
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318
58	0.0565	0.0565	0.0565	0.0565	0.1034	0.1844
59	0.1256	0.1256	0.1256	0.1256	0.1562	0.2290
60	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
61	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
62	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
63	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
64	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

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

Service Retirement

Public Agency Fire 2.5% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0077	0.0077	0.0077	0.0077	0.0119	0.0178
52	0.0164	0.0164	0.0164	0.0164	0.0254	0.0380
53	0.0419	0.0419	0.0419	0.0419	0.0644	0.0965
54	0.0574	0.0574	0.0574	0.0574	0.0885	0.1324
55	0.0738	0.0738	0.0738	0.0738	0.1136	0.1700
56	0.0662	0.0662	0.0662	0.0662	0.1020	0.2077
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.1639
58	0.0711	0.0711	0.0711	0.0711	0.1095	0.1513
59	0.0656	0.0656	0.0656	0.0656	0.1011	0.2354
60	0.1022	0.1022	0.1022	0.1022	0.1572	0.2356
61	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
62	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
63	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
64	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Service Retirement

Public Agency Police 2.7% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
51	0.0123	0.0123	0.0123	0.0123	0.0226	0.0402
52	0.0249	0.0249	0.0249	0.0249	0.0456	0.0812
53	0.0497	0.0497	0.0497	0.0497	0.0909	0.1621
54	0.0662	0.0662	0.0662	0.0662	0.1211	0.2160
55	0.0854	0.0854	0.0854	0.0854	0.1563	0.2785
56	0.0606	0.0606	0.0606	0.0606	0.1108	0.1975
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318
58	0.0628	0.0628	0.0628	0.0628	0.1149	0.2049
59	0.1396	0.1396	0.1396	0.1396	0.1735	0.2544
60	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
61	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
62	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
63	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
64	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

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

Service Retirement

Public Agency Fire 2.7% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0081	0.0081	0.0081	0.0081	0.0125	0.0187
52	0.0164	0.0164	0.0164	0.0164	0.0254	0.0380
53	0.0442	0.0442	0.0442	0.0442	0.0680	0.1018
54	0.0606	0.0606	0.0606	0.0606	0.0934	0.1397
55	0.0825	0.0825	0.0825	0.0825	0.1269	0.1900
56	0.0740	0.0740	0.0740	0.0740	0.1140	0.1706
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.2077
58	0.0790	0.0790	0.0790	0.0790	0.1217	0.1821
59	0.0729	0.0729	0.0729	0.0729	0.1123	0.1681
60	0.1135	0.1135	0.1135	0.1135	0.1747	0.2615
61	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
62	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
63	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
64	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Service Retirement

Schools 2% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.005	0.009	0.013	0.015	0.016	0.018
51	0.005	0.010	0.014	0.017	0.019	0.021
52	0.006	0.012	0.017	0.020	0.022	0.025
53	0.007	0.014	0.019	0.023	0.026	0.029
54	0.012	0.024	0.033	0.039	0.044	0.049
55	0.024	0.048	0.067	0.079	0.088	0.099
56	0.020	0.039	0.055	0.065	0.072	0.081
57	0.021	0.042	0.059	0.070	0.078	0.087
58	0.025	0.050	0.070	0.083	0.092	0.103
59	0.029	0.057	0.080	0.095	0.105	0.118
60	0.037	0.073	0.102	0.121	0.134	0.150
61	0.046	0.090	0.126	0.149	0.166	0.186
62	0.076	0.151	0.212	0.250	0.278	0.311
63	0.069	0.136	0.191	0.225	0.251	0.281
64	0.067	0.133	0.185	0.219	0.244	0.273
65	0.091	0.180	0.251	0.297	0.331	0.370
66	0.072	0.143	0.200	0.237	0.264	0.295
67	0.067	0.132	0.185	0.218	0.243	0.272
68	0.060	0.118	0.165	0.195	0.217	0.243
69	0.067	0.133	0.187	0.220	0.246	0.275
70	0.066	0.131	0.183	0.216	0.241	0.270

Miscellaneous

Superfunded Status

Prior to enactment of the Public Employees’ Pension Reform Act (PEPRA) that became effective January 1, 2013, a plan in superfunded status (actuarial value of assets exceeding present value of benefits) would normally pay a zero employer contribution rate while also being permitted to use its superfunded assets to pay its employees’ normal member contributions.

However, Section 7522.52(a) of PEPRA states, “In any fiscal year a public employer’s contribution to a defined benefit plan, in combination with employee contributions to that defined benefit plan, shall not be less than the total normal cost rate...” This means that not only must employers pay their employer normal cost regardless of plan surplus, but also, employers may no longer use superfunded assets to pay employee normal member contributions.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 are taken into account in this valuation. Each year the impact of any changes in this limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base. This results in lower contributions for those employers contributing to the Replacement Benefit Fund and protects CalPERS from prefunding expected benefits in excess of limits imposed by federal tax law.

Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code Section 401(a)(17) are taken into account in this valuation. Each year, the impact of any changes in the compensation limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base.

PEPRA Assumptions

The Public Employees' Pension Reform Act of 2013 (PEPRA) mandated new benefit formulas and new member contributions for new members (as defined by PEPRA) hired after January 1, 2013. For non-pooled plans, these new members will first be reflected in the June 30, 2013 non-pooled plan valuations. New members in pooled plans will first be reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in November 2012 in response to the passage of PEPRA, also beginning with the June 30, 2013 valuation. Different assumptions for these new PEPRA members are disclosed above.

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APPENDIX B

PRINCIPAL PLAN PROVISIONS

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

PEPRA Benefit Changes

The Public Employees’ Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members are reflected in your June 30, 2013 actuarial valuation. Members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in November 2012 in response to the passage of PEPRA, beginning with the June 30, 2013 valuation.

Service Retirement

Eligibility

A classic CalPERS member or PEPRA Safety 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). For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPRA miscellaneous members become eligible for Service Retirement upon attainment of age 52 with at least 5 years of service.

Benefit

The Service Retirement benefit is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*.

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

Miscellaneous Plan Formulas

Retirement Age	1.5% at 65	2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60	PEPRA 2% at 62
50	0.5000%	1.092%	1.426%	2.000%	2.000%	2.000%	N/A
51	0.5667%	1.156%	1.522%	2.100%	2.140%	2.100%	N/A
52	0.6334%	1.224%	1.628%	2.200%	2.280%	2.200%	1.000%
53	0.7000%	1.296%	1.742%	2.300%	2.420%	2.300%	1.100%
54	0.7667%	1.376%	1.866%	2.400%	2.560%	2.400%	1.200%
55	0.8334%	1.460%	2.000%	2.500%	2.700%	2.500%	1.300%
56	0.9000%	1.552%	2.052%	2.500%	2.700%	2.600%	1.400%
57	0.9667%	1.650%	2.104%	2.500%	2.700%	2.700%	1.500%
58	1.0334%	1.758%	2.156%	2.500%	2.700%	2.800%	1.600%
59	1.1000%	1.874%	2.210%	2.500%	2.700%	2.900%	1.700%
60	1.1667%	2.000%	2.262%	2.500%	2.700%	3.000%	1.800%
61	1.2334%	2.134%	2.314%	2.500%	2.700%	3.000%	1.900%
62	1.3000%	2.272%	2.366%	2.500%	2.700%	3.000%	2.000%

63	1.3667%	2.418%	2.418%	2.500%	2.700%	3.000%	2.100%
64	1.4334%	2.418%	2.418%	2.500%	2.700%	3.000%	2.200%
65	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.300%
66	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.400%
67 & up	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.500%

Safety Plan Formulas

Retirement Age	½ at 55 *	2% at 55	2% at 50	3% at 55	3% at 50
50	1.783%	1.426%	2.000%	2.400%	3.000%
51	1.903%	1.522%	2.140%	2.520%	3.000%
52	2.035%	1.628%	2.280%	2.640%	3.000%
53	2.178%	1.742%	2.420%	2.760%	3.000%
54	2.333%	1.866%	2.560%	2.880%	3.000%
55 & Up	2.500%	2.000%	2.700%	3.000%	3.000%

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

PEPRA Safety Plan Formulas

Retirement Age	2% at 57	2.5% at 57	2.7% at 57
50	1.426%	2.000%	2.000%
51	1.508%	2.071%	2.100%
52	1.590%	2.143%	2.200%
53	1.672%	2.214%	2.300%
54	1.754%	2.286%	2.400%
55	1.836%	2.357%	2.500%
56	1.918%	2.429%	2.600%
57 & Up	2.000%	2.500%	2.700%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer’s contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer’s contract, and then added together for the total allowance. An agency may contract for an optional benefit where any unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave.
- The *final compensation* is the monthly average of the member’s highest 36 or 12 consecutive months’ full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The standard benefit is 36 months. Employers have the option of providing a final compensation equal to the highest 12 consecutive months. Final compensation must be defined by the highest 36 consecutive months’ pay under the 1.5% at 65 formula. PEPRA members have a cap on the annual salary that can be used to calculate final compensation for all new members based on the Social Security Contribution and Benefit Base. For employees that participate in

Social Security this cap is \$113,700 for 2013 and for those employees that do not participate in social security the cap for 2013 is \$136,440, the equivalent of 120 percent of the 2013 Contribution and Benefit Base. Adjustments to the caps are permitted annually based on changes to the CPI for All Urban Consumers.

- Employees must be covered by Social Security with the 1.5% at 65 formula. Social Security is optional for all other benefit formulas. For employees covered by Social Security, the Modified formula is the standard benefit. Under this type of formula, the final compensation is offset by \$133.33 (or by one third if the final compensation is less than \$400). Employers may contract for the Full benefit with Social Security that will eliminate the offset applicable to the final compensation. For employees not covered by Social Security, the Full benefit is paid with no offsets. Auxiliary organizations of the CSUC system may elect reduced contribution rates, in which case the offset is \$317 if members are not covered by Social Security or \$513 if members are covered by Social Security.
- The Miscellaneous Service Retirement benefit is not capped. The Safety Service Retirement benefit is capped at 90 percent 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 classic members and Safety PEPPA members become eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50 (55 for employees hired into a 1.5% @ 65 plan). PEPPA Miscellaneous members become eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 52.

Benefit

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

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility

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

Standard Benefit

The standard Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8 percent 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 percent of Final Compensation.

Improved Benefit

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

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

Industrial (Job Related) Disability Retirement

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

Eligibility

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

Standard Benefit

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

Increased Benefit (75 percent of Final Compensation)

The increased Industrial Disability Retirement benefit is a monthly allowance equal to 75 percent final compensation for total disability.

Improved Benefit (50 percent to 90 percent of Final Compensation)

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

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

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

Post-Retirement Death Benefit

Standard Lump Sum Payment

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

Improved Lump Sum Payment

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

Form of Payment for Retirement Allowance

Standard Form of Payment

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

Improved Form of Payment (Post Retirement Survivor Allowance)

Employers have the option to contract for the post retirement survivor allowance.

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

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

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

Pre-Retirement Death Benefits

Basic Death Benefit

This is a standard benefit.

Eligibility

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

Benefit

The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

This is a standard benefit.

Eligibility

An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50 for Classic and Safety PEPRAs members and age 52 for Miscellaneous PEPRAs members, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this 1957 Survivor benefit.

Benefit

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

Optional Settlement 2W Death Benefit

This is an optional benefit.

Eligibility

An employee's *eligible survivor* may receive the Optional Settlement 2W Death benefit if the member dies while actively employed, has attained at least age 50 for Classic and Safety PEPRAs members and age 52 for Miscellaneous PEPRAs members, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this Optional Settlement 2W Death benefit.

Benefit

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

Special Death Benefit

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

Eligibility

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

Benefit

The Special Death benefit is a monthly allowance equal to 50 percent of final compensation, and will be increased whenever the compensation paid to active employees is increased but ceasing to increase when the member would

have attained age 50. The allowance is payable to the surviving spouse until death at which time the allowance is continued to any unmarried children under age 22. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

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

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

Alternate Death Benefit for Local Fire Members

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

Eligibility

An employee's *eligible survivor(s)* may receive the Alternate Death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 18.

Benefit

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

Cost-of-Living Adjustments (COLA)

Standard Benefit

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

Improved Benefit

Employers have the option of providing any of these improved cost-of-living adjustments by contracting for any one of these Class 1 optional benefits. An improved COLA is not available in conjunction with the 1.5% at 65 formula.

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by either 3 percent, 4 percent or 5 percent. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80 percent of the initial allowance at

retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

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

The percent contributed below the monthly compensation breakpoint is 0 percent.

The monthly compensation breakpoint is \$0 for full and supplemental formula members and \$133.33 for employees covered by the modified formula.

The percent contributed above the monthly compensation breakpoint depends upon the benefit formula, as shown in the table below.

<u>Benefit Formula</u>	<u>Percent Contributed above the Breakpoint</u>
Miscellaneous, 1.5% at 65	2%
Miscellaneous, 2% at 60	7%
Miscellaneous, 2% at 55	7%
Miscellaneous, 2.5% at 55	8%
Miscellaneous, 2.7% at 55	8%
Miscellaneous, 3% at 60	8%
Miscellaneous, 2% at 62	50% of the Total Normal Cost
Safety, 1/2 at 55	Varies by entry age
Safety, 2% at 55	7%
Safety, 2% at 50	9%
Safety, 3% at 55	9%
Safety, 3% at 50	9%
Safety, 2% at 57	50% of the Total Normal Cost
Safety, 2.5% at 57	50% of the Total Normal Cost
Safety, 2.7% at 57	50% of the Total Normal Cost

The employer may choose to “pick-up” these contributions for the employees (Employer Paid Member Contributions or EPMC). EPMC is prohibited for new PEPRAs members.

An employer may also include Employee Cost Sharing in the contract, where employees agree to share the cost of the employer contribution with or without a change in benefit. These contributions are paid in addition to the member contribution.

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

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 percent interest.

1959 Survivor Benefit

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

This benefit is not included in the results presented in this valuation. More information on this benefit is available on the CalPERS website at www.calpers.ca.gov.

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APPENDIX C

PARTICIPANT DATA

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

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Summary of Valuation Data

	June 30, 2012	June 30, 2013
1. Active Members		
a) Counts	541	504
b) Average Attained Age	43.71	44.15
c) Average Entry Age to Rate Plan	31.79	32.01
d) Average Years of Service	11.92	12.14
e) Average Annual Covered Pay	\$ 73,891	\$ 76,206
f) Annual Covered Payroll	39,975,054	38,407,971
g) Projected Annual Payroll for Contribution Year	43,681,821	41,969,427
h) Present Value of Future Payroll	326,240,290	312,042,215
 2. Transferred Members		
a) Counts	225	228
b) Average Attained Age	43.66	43.66
c) Average Years of Service	2.59	2.57
d) Average Annual Covered Pay	\$ 96,538	\$ 98,383
 3. Terminated Members		
a) Counts	281	298
b) Average Attained Age	42.89	43.27
c) Average Years of Service	3.11	3.19
d) Average Annual Covered Pay	\$ 55,883	\$ 56,138
 4. Retired Members and Beneficiaries		
a) Counts	523	559
b) Average Attained Age	68.53	68.46
c) Average Annual Benefits	\$ 25,368	\$ 26,303
 5. Active to Retired Ratio [(1a) / (4a)]	 1.03	 0.90

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

Average Annual Benefits represents benefit amounts payable by this plan only. Some members may have service with another agency and would therefore have a larger total benefit than would be included as part of the average shown here.

Active Members

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

Distribution of Active Members by Age and Service

Years of Service at Valuation Date							
Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	10	0	0	0	0	0	10
25-29	31	15	0	0	0	0	46
30-34	18	40	12	1	0	0	71
35-39	11	22	23	2	1	0	59
40-44	12	13	21	10	6	1	63
45-49	11	22	16	15	18	11	93
50-54	6	12	13	13	13	20	77
55-59	9	8	9	8	7	9	50
60-64	2	6	2	4	2	4	20
65 and over	4	2	1	2	2	4	15
All Ages	114	140	97	55	49	49	504

Distribution of Average Annual Salaries by Age and Service

Years of Service at Valuation Date							
Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	\$30,781	\$0	\$0	\$0	\$0	\$0	\$30,781
25-29	42,743	61,822	0	0	0	0	48,965
30-34	68,181	68,455	75,457	89,587	0	0	69,866
35-39	61,661	73,917	77,399	80,107	105,647	0	73,737
40-44	80,192	90,949	79,125	96,412	88,890	98,057	85,743
45-49	86,497	78,275	86,352	86,590	91,956	92,448	86,303
50-54	89,750	94,378	76,128	82,440	86,238	87,786	85,834
55-59	96,278	58,210	80,573	100,490	85,675	89,225	85,280
60-64	46,090	74,407	103,128	71,175	65,662	76,851	73,415
65 and over	16,040	26,438	64,801	66,430	64,234	81,042	51,156
All Ages	\$61,522	\$73,526	\$79,534	\$87,381	\$87,241	\$87,863	\$76,206

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age and Service

Attained Age	Years of Service at Valuation Date						Total	Average Salary
	0-4	5-9	10-14	15-19	20-25	25+		
15-24	3	0	0	0	0	0	3	\$73,792
25-29	30	0	0	0	0	0	30	74,092
30-34	28	3	0	0	0	0	31	90,345
35-39	22	1	0	0	0	0	23	103,236
40-44	24	5	2	1	0	0	32	93,660
45-49	32	6	0	1	0	0	39	124,599
50-54	30	3	0	0	0	0	33	106,631
55-59	12	2	0	0	1	1	16	111,546
60-64	10	2	2	0	0	0	14	77,627
65 and over	4	1	2	0	0	0	7	80,758
All Ages	195	23	6	2	1	1	228	98,383

Distribution of Terminated Participants with Funds on Deposit by Age and Service

Attained Age	Years of Service at Valuation Date						Total	Average Salary
	0-4	5-9	10-14	15-19	20-25	25+		
15-24	5	0	0	0	0	0	5	\$32,017
25-29	29	1	0	0	0	0	30	37,587
30-34	42	7	1	0	0	0	50	51,711
35-39	33	7	1	1	0	0	42	69,886
40-44	30	7	0	0	1	0	38	57,908
45-49	28	8	2	3	0	2	43	71,273
50-54	24	9	3	1	1	1	39	60,230
55-59	26	3	4	0	0	0	33	40,964
60-64	11	2	1	0	0	0	14	54,490
65 and over	3	1	0	0	0	0	4	47,970
All Ages	231	45	12	5	2	3	298	56,138

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	1	1
30-34	0	0	2	0	0	0	2
35-39	0	0	0	0	0	0	0
40-44	0	1	0	0	0	0	1
45-49	0	2	5	0	1	0	8
50-54	30	4	2	1	0	2	39
55-59	73	5	5	1	0	2	86
60-64	90	4	0	0	0	3	97
65-69	99	5	0	0	0	5	109
70-74	58	2	0	0	0	2	62
75-79	52	3	0	0	0	5	60
80-84	38	0	0	0	0	7	45
85 and Over	37	0	0	0	0	12	49
All Ages	477	26	14	2	1	39	559

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

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	\$0	\$0	\$0	\$0	\$0	\$3,913	\$3,913
30-34	0	0	528	0	0	0	528
35-39	0	0	0	0	0	0	0
40-44	0	17,290	0	0	0	0	17,290
45-49	0	24,377	214	0	157	0	6,248
50-54	24,417	17,764	562	2,211	0	1,719	20,778
55-59	36,284	10,618	1,289	3,908	0	14,483	31,874
60-64	36,638	15,450	0	0	0	9,791	34,934
65-69	27,364	16,780	0	0	0	16,703	26,389
70-74	26,139	5,992	0	0	0	59,344	26,560
75-79	22,426	16,927	0	0	0	18,399	21,816
80-84	22,453	0	0	0	0	17,221	21,639
85 and Over	17,332	0	0	0	0	20,312	18,062
All Ages	\$28,437	\$15,333	\$692	\$3,060	\$157	\$18,569	\$26,303

Retired Members and Beneficiaries (continued)

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

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	179	3	4	1	0	13	200
5-9	106	1	6	1	0	6	120
10-14	72	5	1	0	0	7	85
15-19	58	11	2	0	1	8	80
20-24	26	5	1	0	0	2	34
25-29	22	1	0	0	0	2	25
30 and Over	14	0	0	0	0	1	15
All Years	477	26	14	2	1	39	559

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

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	\$37,678	\$24,811	\$841	\$2,211	\$0	\$21,938	\$35,548
5-9	25,267	20,443	924	3,908	0	31,338	24,135
10-14	27,123	14,554	161	0	0	10,241	24,676
15-19	24,121	12,701	122	0	157	14,851	20,724
20-24	19,238	14,442	381	0	0	18,113	17,912
25-29	8,708	19,086	0	0	0	7,477	9,025
30 and Over	7,002	0	0	0	0	9,282	7,154
All Years	\$28,437	\$15,333	\$692	\$3,060	\$157	\$18,569	\$26,303

* Counts of members do not include alternate payees receiving benefits while the member is still working. Therefore, the total counts may not match information on page 25 of the report. Multiple records may exist for those who have service in more than one coverage group. This does not result in double counting of liabilities.

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APPENDIX D

DEVELOPMENT OF PEPRA MEMBER CONTRIBUTION RATE

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DEVELOPMENT OF PEPRA MEMBER CONTRIBUTION RATE

The table below shows the determination of the Member contribution rates based on 50 percent of the Total Normal Cost for each respective plan on June 30, 2013.

Assembly Bill (AB) 340 created PEPRA that implemented new benefit formulas and a final compensation period as well as new contribution requirements for new employees. In accordance with Section Code 7522.30(b), "new members ... shall have an initial contribution rate of at least 50 percent of the normal cost rate." The normal cost for the plan is dependent on the benefit levels, actuarial assumptions and demographics of the plan particularly the entry age into the plan. Since the actual demographics of new members was not known during the implementation of PEPRA in December 2012, the normal cost rate was determined based on the average demographics of the members in the current 2 percent at age 55 miscellaneous risk pool and the 3 percent at age 50 safety risk pool.

In analyzing the first set of PEPRA data, CalPERS staff has become concerned that, for most employers, there is insufficient data to produce stable normal costs and member contribution rates. Further, this situation is likely to persist for a number of years as employers gradually bring on more PEPRA members. The larger employers may have sufficient PEPRA members in the first few years but other employers may not have stable rates for a number of years. Staff has concluded that the best approach is to repeat the process – using the normal costs based on the demographics of the risk pools – for the current valuation and work with stakeholders over the next year to determine the best long-term approach to the issue of calculating PEPRA normal costs and member contribution rates. For more information on this topic please refer to the CalPERS Board of Administration agenda item 9a of the May 20th, 2014 meeting which is available on the CalPERS website.

Rate Plan Identifier	Plan	Basis for Current Rate		Rates Effective July 1, 2015			
		Total Normal Cost	Member Rate	Total Normal Cost	Change	Change Needed	Member Rate
26029	Miscellaneous PEPRA	12.50%	6.250%	12.50%	0.00%	No	6.250%

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APPENDIX E

GLOSSARY OF ACTUARIAL TERMS

Glossary of Actuarial Terms

Accrued Liability (*also called Actuarial Accrued Liability or Entry Age Normal Accrued Liability*)

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

Actuarial Assumptions

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

Actuarial Methods

Procedures employed by actuaries to achieve certain funding goals of a pension plan. Actuarial methods include funding method, setting the length of time to fund the Accrued Liability and determining the Actuarial Value of Assets.

Actuarial Valuation

The determination, as of a valuation date, of the Normal Cost, Accrued liability, Actuarial Value of Assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Actuarial Value of Assets

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

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

Amortization Bases

Separate payment schedules for different portions of the Unfunded Liability. The total Unfunded Liability of a Risk Pool or non-pooled plan can be segregated by "cause," creating "bases" and each such base will be separately amortized and paid for over a specific period of time. However, all bases are amortized using investment and payroll assumptions from the current valuation. This can be likened to a home having a first mortgage of 24 years remaining payments and a second mortgage that has 10 years remaining payments. Each base or each mortgage note has its own terms (payment period, principal, etc.)

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

Amortization Period

The number of years required to pay off an Amortization Base.

Annual Required Contributions (ARC)

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

Classic Member (under PEPR)

A classic member is a member who joined CalPERS prior to January, 1, 2013 and who is not defined as a new member under PEPR. (See definition of new member below)

Discount Rate Assumption

The actuarial assumption that was called "investment return" in earlier CalPERS reports or "actuarial interest rate" in Section 20014 of the California Public Employees' Retirement Law (PERL).

Entry Age

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

Entry Age Normal Cost Method

An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll. (The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member on the date of hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Fresh Start

A Fresh Start is when multiple amortization bases are collapsed to one base and amortized together over a new funding period.

Funded Status

A measure of how well funded, or how "on track" a plan or risk pool is with respect to assets versus accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets. A funded ratio based on the Actuarial Value of Assets indicates the progress toward fully funding the plan using the actuarial cost methods and assumptions. A funded ratio based on the Market Value of Assets indicates the short-term solvency of the plan.

GASB 27

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

GASB 68

Statement No. 68 of the Governmental Accounting Standards Board. The accounting standard governing a state or local governmental employer's accounting and financial reporting for pensions. GASB 68 replaces GASB 27 effective the first fiscal year beginning after June 15, 2014.

New Member (under PEPRA)

A new member includes an individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was not a member of another public retirement system prior to that date, and who is not subject to reciprocity with another public retirement system.

Normal Cost

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

Pension Actuary

A business professional that is authorized by the Society of Actuaries, and the American Academy of Actuaries to perform the calculations necessary to properly fund a pension plan.

PEPRA

The California Public Employees' Pension Reform Act of 2013

Prepayment Contribution

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

Present Value of Benefits (PVB)

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

Rolling Amortization Period

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

Superfunded

A condition existing when a plan's Actuarial Value of Assets exceeds its Present Value of Benefits. Prior to the passage of PEPR, when this condition existed on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation could be waived.

Unfunded Liability

When a plan or pool's Actuarial Value of Assets is less than its Accrued Liability, the difference is the plan or pool's Unfunded Liability. If the Unfunded Liability is positive, the plan or pool will have to pay contributions exceeding the Normal Cost.