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Circular Letter

Special:

TO: **PUBLIC AGENCY EMPLOYERS**

SUBJECT: **SUPERFUNDED RATE PLANS**

Chapter 231 (Assembly Bill 2099, Statutes of 1998) became effective January 1, 1999, and amended Government Code Section 20816. This Section provides that, if the Chief Actuary determines that an employer's rate plan is superfunded (actuarial value of assets exceeds the present value of benefits) as of the most recently completed valuation, the employer may cover its employees' normal member contributions using its employer assets. This would necessitate transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts.

Attached to this circular letter is a list of rate plans that have been determined to be superfunded for the rate plan year of July 1, 2005, through June 30, 2006. This list was prepared based on the actuarial valuations as of June 30, 2003. For the employers on this list, we anticipate mailing the vouchers necessary to pay for the employees' normal member contributions for fiscal 2005-06 by March 31, 2005.

The net investment return of PERF for 2003/04 fiscal year was approximately 16%. This superior return will not lower employer rates immediately since the 6/30/2003 valuations were based on an actuarial value of assets equal to 110% of the market value of assets and all past investment losses have not been fully recognized. The 2003/04 fiscal year investment return will impact rates starting with the 2006/07 fiscal year for public agency employers. This double digit return should serve to stabilize the increasing employer rates. **We urge you to contact your CalPERS' actuary to discuss what may happen to your rates before you decide to use the vouchers to pay normal member contributions.**

Should you have any questions, please contact the CalPERS' Employer Contact Center at **888 CalPERS** (or **888**-225-7377).

Ronald L. Seeling, Chief Actuary
Actuarial & Employer Services Division

Attachment