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Circular Letter

TO: ALL SCHOOL EMPLOYERS

SUBJECT: IMPACT OF ECONOMIC ENVIRONMENT ON EMPLOYER RATES AND NEW BOARD APPROVED SMOOTHING MODIFICATIONS

ATTENTION: FINANCE DIRECTORS, HUMAN RESOURCE DIRECTORS, SCHOOL EMPLOYER DECISION MAKERS

CalPERS is sending this circular letter as a result of the CalPERS Board of Administration's decision at its June meeting to take steps to mitigate the impact of recent investment market declines on the school employer contribution rate.

FISCAL YEAR 2008/2009 INVESTMENT RESULTS

The CalPERS investment returns for the 2008/2009 fiscal year was negative 24%. Such an extraordinary one-time event has put enormous strains on our economy, businesses, individuals, and local governments. While our smoothing approach works well during normal economic cycles and has produced very stable employer contribution rates, such a unique event calls for a deviation from the usual approach.

Rest assured that, despite the downturn, retirement benefits are secure and CalPERS has more than enough assets on hand to pay benefits well into the future. CalPERS continues to manage a well diversified portfolio and maintain a prudent, long term investment strategy in order to ensure the financial security for those we serve.

WHAT IS CALPERS GOING TO DO?

To deal with this one time event the CalPERS Board has approved an enhancement to our current smoothing methodology. This enhancement will phase in the impact of the 2008-2009 investment loss over a 3 year period.

Below is a table showing the estimated contribution rate for the schools pool for fiscal year 2010-2011 through fiscal year 2013-14. The school employer contribution rate in effect for fiscal year 2009-2010 is 9.709%.

Estimated Employer Contribution Rate for the Schools Pool

Fiscal Year	Employer Contribution Rate
2010 – 2011	10.2%
2011 – 2012	11.6%
2012 – 2013	13.7%
2013 – 2014	14.0%

Please be aware these are only estimates. Your actual employer rate will likely differ due to the demographic experience of the schools pool.

If you wish to discuss these issues further, please contact your CalPERS actuary at **888 CalPERS** (or **888-225-7377**).



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