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May 16, 2012

The Honorable Jerry Brown
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Sacramento, CA 95814

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State Capitol, Room 3044
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Ms. Diane F. Boyer-Vine
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Sacramento, CA 95814

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Chief Clerk of the Assembly
State Capitol, Room 3196
Sacramento, CA 95814

The Board of Administration (Board) of the California Public Employees' Retirement System, has accepted the June 30, 2011, Actuarial Valuation of the Legislators' Retirement System (LRS).

With this valuation, the actuarial funding method was changed from the Aggregate method to the Entry Age Normal method. This change is consistent with current Board policy on funding methods. This funding method change along with the Board's minimum contribution policy resulted in an employer contribution rate. **In the report, the actuarially determined employer contribution rate is 5.380 percent for the fiscal year from July 1, 2012, to June 30, 2013.**

Section 9358(b) of the LRS Law states "for any fiscal year during which the state's contribution rate is greater than 0 percent, the members of the system shall pay the applicable member contribution rates …" **Accordingly, the member contribution rates will be reinstated for the coming fiscal year of July 1, 2012, to June 30, 2013.**

The Board is pleased to file the 2011 Report of the Actuary for the LRS with the Governor and the Legislature.

Respectfully,

ROB FECKNER, President
Board of Administration

CalPERS

Legislators' Retirement System Actuarial Valuation

as of June 30, 2011

Establishing Required Contributions for the Fiscal Year July 1, 2012 through June 30, 2013

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Actuarial Certification

Certification

To the best of our knowledge, this report is complete and accurate and contains sufficient information to fully and fairly disclose the actuarial funded condition of the Legislators' Retirement System. Based on the employee data provided by the CalPERS Judges' and Legislators' Office, the statement of assets provided by the CalPERS Fiscal Services Division, and the benefits as outlined in Appendix B, it is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles and that the assumptions and methods are reasonable for the System.

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Senior Pension Actuary, CalPERS

ALAN MILLIGAN, F.S.A., F.C.I.A., M.A.A.A., FCA
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Highlights and Executive Summary

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Highlights & Executive Summary

Purpose of the Report

This actuarial valuation of the Legislators' Retirement System was performed by the CalPERS Actuarial Office using data as of June 30, 2011 in order to:

- establish the actuarially required contributions of the System for the fiscal year July 1, 2012 through June 30, 2013;
- disclose the funded status of the System;
- set forth the actuarial assets and funding liabilities of this plan as of June 30, 2011;
- measure the financial security of the System;
- provide actuarial information as of June 30, 2011 to the CalPERS Board of Administration.

Use of this report for other purposes may be inappropriate.

In preparing this actuarial valuation, the CalPERS Actuarial Office relies upon information provided by CalPERS' Fiscal Services Division and the CalPERS Judges' and Legislators' Office. Asset figures provided in this report includes accounts receivable. The CalPERS Actuarial Office assumes that all assets are accruing interest at the actuarially assumed rate.

Effective December 7, 2009, elected officials salaries were reduced 18%. For the purposes of determining the present value of benefits, salaries prior to the reduction were used. Actual salaries were used to calculate employer contribution rates.

In accordance with the Political Reform Act of 1990 (Proposition 140), Senators and Members of the Assembly first elected after November 7, 1990 participate in the Federal Social Security program and in no other retirement system. Therefore, the only members currently able to enter the system are Constitutional Officers and Legislative Statutory Officers.

Required Employer Contributions

This actuarial valuation sets forth the employer contribution rate for the fiscal year July 1, 2012 through June 30, 2013. The following table shows the Required Employer Contributions. The Required Employer Contributions are shown in dollars and as a percentage of projected payroll.

		Fiscal Year 2011/2012*		Fiscal Year 2012/2013
Employer Contribution Required (in Projected Dollars)				
Payment for Normal Cost	$	0	$	937,610
Payment on the Amortization Bases		N/A		(808,086)
Total (not less than zero)	$	0	$	129,524
Employer Contribution Required (Percentage of Payroll)				
Payment for Normal Cost		0%		38.944%
Payment on the Amortization Bases		N/A		(33.564)%
Total (not less than zero)		0%		5.380%

Funded Status

The table below summarizes the funded status of the Legislative Retirement System over the last two years.

		June 30, 2010*		June 30, 2011
Present Value of Projected Benefits	$	115,950,719	$	113,562,460
Entry Age Normal Accrued Liability	$	N/A	$	108,976,845
Actuarial Value of Assets (AVA)		126,641,553		125,645,957
Unfunded Liability (AVA)	$	N/A	$	(16,669,112)
Market Value of Assets (MVA)	$	114,104,852	$	123,569,795
Unfunded Liability (MVA)		N/A		(14,592,950)
Funded Status (MVA)		N/A		113.4%
Superfunded Status		Yes		Yes

*Aggregate Cost Method was used in June 30, 2010 and prior valuations

Changes Since Prior Valuation

Actuarial Methods – The actuarial funding method was changed from the Aggregate Funding Method to the Entry Age Normal Funding Method. A complete description of the actuarial methods used in the June 30, 2011 actuarial valuation may be found in Appendix A of this report.

Actuarial Assumptions and Data – On March 14, 2012 the CalPERS Board voted to lower the assumed rate of inflation from 3% to 2.75% for plans in the Public Employees' Retirement System. Consistent with that decision, the same change has been made for this system. Accordingly, the assumed investment rate of return was lowered from 6% to 5.75% and the assumed salary increase assumption was lowered from 3.25% to 3%. A complete description of the actuarial assumptions used in the June 30, 2011 actuarial valuation may be found in Appendix A of this report.

Plan Provisions - No changes were made since the prior valuation. A complete description of the principal plan provisions used in the June 30, 2011 valuation may be found in Appendix B of this report.

Subsequent Events – There were no known subsequent events.

Summary of Liabilities And Required Employer Contribution Rate

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Comparison of Current and Prior Year Results

Comparison of Current and Prior Year Results

Shown below is the comparison of key valuation results for the current valuation date to the corresponding values from the prior valuation date.

		June 30, 2010	June 30, 2011 Under Old Assumptions and Method	June 30, 2011 Under New Assumptions and Method
Members Included in the Valuation				
Active Members		14	16	16
Vested Inactive Members		24	17	17
Receiving Benefits		266	263	263
Total		304	296	296
Covered Payroll Prior Fiscal Year	$	2,159,181	2,269,390	2,269,390
Projected Covered Annual Payroll[1]	$	2,015,445	2,128,818	2,407,596
Average Annual Pay	$	154,227	141,837	141,837
Present Value of Benefits[1] at Valuation Date				
Active and Vested Inactive Members	$	21,976,157	20,472,705	20,472,705
Receiving Benefits		93,974,562	93,089,755	93,089,755
Total	$	115,950,719	113,562,460	113,562,460
Market Value of Assets	$	114,104,852	123,569,795	123,569,795
Accrued Liability				
Active and Vested Inactive Members	$	N/A	N/A	15,887,090
Receiving Benefits		N/A	N/A	93,089,755
Total	$	N/A[2]	N/A	108,976,845
Actuarial Value of Assets	$	126,641,553	125,645,957	125,645,957
Unfunded Liability / (Excess Assets)	$	N/A	N/A	(16,669,112)
Employer Contributions Required (in Dollars)				
Normal Cost	$	0	0	937,610
Amortization of the Unfunded Liability		N/A	N/A	(808,086)
Total (not less than zero)	$	0	0	129,524
Employer Contributions Required (Percentage of Payroll)				
Normal Cost		0%	0%	38.944%
Amortization of the Unfunded Liability		N/A	N/A	(33.564)%
Total (not less than zero)		0%	0%	5.380%

[1] Payroll prior to the December 7, 2009 reduction was used to determine the present value of benefits

[2] See page 9 for a history of what the Accrued Liability would have been if the Entry Age Normal cost method had been used.

Schedule of Amortization Bases

The schedule below shows the development of the proposed payment on the Amortization Bases. In accordance with Board policy, the surplus of a plan must be amortized over a minimum of 30 years.

Reason For Base	Date Established	Remaining Period	Balance on 6/30/11	Expected Payment on UAL 11-12	Amount Remaining on 6/30/12	Scheduled Payment Fiscal Year 2012-2013
Fresh Start	6/30/11	30	(16,669,112)	(1,086,708)	(16,510,072)	(808,086)
Total			(16,669,112)	(1,086,708)	(16,510,072)	(808,086)

Reconciliation of Employer Contribution Rates

This table illustrates a reconciliation of the Employer Contribution Rate from the previous year.

	Percentage of Projected Payroll
1. 2011-2012 Employer Rate (from prior year annual report)	0.00%
2. Effect of changes since the prior annual valuation	
a) Effect of change in actuarial assumptions	0.522%
b) Effect of new actuarial methods	4.858%
c) Effect of unexpected changes in demographics	0.00%
d) Net effect of the changes above [Sum of a through c]	5.380%
3. 2012-2013 Employer Contribution	5.380%

Funding Shown below is the funding progress for the plan.

Valuation Date	Entry Age Normal Accrued Liability[1]	Actuarial Value Of Assets (AVA)	Funded Ratio (AVA)	Market Value of Assets (MVA)	Funded Ratio (MVA)	Annual Covered Payroll
6/30/11	$ 108,976,845	$ 125,645,957	115.3%	$ 123,569,795	113.4%	$ 2,269,390
6/30/10	$ 112,355,875	$ 126,641,553	112.7%	$ 114,104,852	101.6%	$ 2,159,181
6/30/09	$ 111,898,151	$ 134,195,015	119.9%	$ 111,829,179	99.9%	$ 2,057,335
6/30/08	$ 103,035,982	$ 142,350,628	138.2%	$ 134,140,160	130.2%	$ 2,216,469

[1] The aggregate funding method was used in the June 30, 2010 and prior valuations. The Entry Age Normal Accrued Liability (EANAL) was not used for funding purposes. However, the EANAL was disclosed for accounting purposes due to GASB Statement #50.

Summary of Assets

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Summary of Assets

Reconciliation of Market Value of Assets

The table below illustrates a reconciliation of the market value of assets between years ending 2010 and 2011.

Reconciliation of Assets (Market Value)
As of June 30, 2011

		Market Value
Beginning Balance as of June 30, 2010	$	114,104,852
Prior Year Revenue Adjustment	$	2,116
Contributions		
Member Contributions		3,430
Employer Contributions		0
Disbursements and Refunds		(7,791,318)
Administrative Expenses		(382,933)
Other Expenses or Credits		(32,458)
Investment Earnings		17,666,106
Ending Balance as of June 30, 2011	$	123,569,795

Development of the Actuarial Value of Assets

The development of the Actuarial Value of Assets for the current valuation date is shown below. This is the amount of assets used in the determination of the contribution rate.

Development of the Actuarial Value of Assets
June 30, 2011

1.	Actuarial Value of Assets as of June 30, 2010	126,641,553
2.	Contributions Received	
	Member Contributions	3,430
	State Contributions	0
	Total Additions	3,430
3.	Deductions	
	Benefit Payments and Refunds	(7,791,318)
	Administrative Expenses	(382,933)
	Other	(32,458)
	Total Deductions	(8,206,709)
4.	Total Additions Minus Total Deductions	(8,203,279)
5.	Expected Investment Return [(1) x .0600 + (4) x (1.0600 ^{½}-1)]	7,355,980
6.	Expected Actuarial Value of Assets as of June 30, 2011 [(1) + (4) + (5)]	125,794,254
7.	Market Value of Assets as of June 30, 2011	123,569,795
8.	One-Fifteenth of the Difference Between Market Value of Assets and Expected Actuarial Value of Assets [(7) – (6)] x 1/15	(148,297)
9.	Preliminary Actuarial Value of Assets [(6) + (8)]	125,645,957
10.	Ratio of Preliminary Actuarial Value of Assets over Market Value of Assets [(9) / (7)]	101.68%
11.	Final Actuarial Value of Assets as of June 30, 2011 Minimum of [(9), 120% of (7)]	125,645,957
12.	Final AVA to MVA ratio [(11)/(7)]	101.7%

Asset Allocation

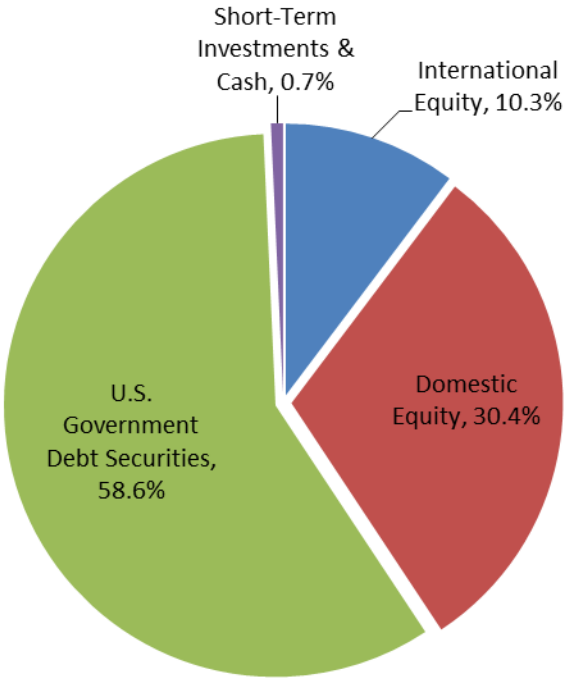
The table below illustrates the asset allocation and market value of assets by asset type.

Asset Allocation
As of June 30, 2011
(Dollars in Thousands)

Investments at Market Value			
General Cash	$		884
Short Term Investments			4
Equity Securities			
Domestic		37,766	
International		12,667	
U.S. Government Debt Securities		72,772	
Subtotal	$		123,205
Accounts Receivable	$		181
Accounts Payable	$		(704)
Market Value of Funds	$		123,570

Asset Allocation Chart

This is the graphical representation of how the money contained in the Legislators' Retirement Fund is allocated for investment.



Summary of Participant Data

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Summary of Participant Data

Reconciliation of Participants

The table below illustrates the change in members from June 30, 2010 to June 30, 2011.

Reconciliation of Participants
For the Fiscal Year Ending June 30, 2011

	Actives	Inactive	Retirees and Beneficiaries	Total
As of June 30, 2010	14	24	266	304
1. New Entrants	4	0	0	4
2. Rehires	0	0	0	0
3. Refunds	0	(2)	0	(2)
4. Retirements	0	(5)	5	0
5. Disabilities	0	0	0	0
6. Vested Terminations	(2)	2	0	0
7. Community Property Splits	0	0	0	0
8. Death with Beneficiary	0	(1)	(9)	(10)
9. Death without Beneficiary	0	(1)	(2)	(3)
10. New Beneficiary	0	0	10	10
11. Beneficiary Death	0	0	(7)	(7)
As of June 30, 2011	**16**	**17**	**263**	**296**

Distribution of Active Participants

The table below illustrates a distribution of active member counts based on age and service.

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 Participants
Attained Age and Years of Credited Service
As of June 30, 2011

Attained	--Years of Service at Valuation Date--								Valuation
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**	**Salary**
15-19	0	0	0	0	0	0	0	0	$ 0
20-24	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0	0
45-49	2	0	1	0	0	0	0	3	429,504
50-54	2	0	0	0	0	0	0	2	260,980
55-59	3	0	0	1	0	1	0	5	694,578
60-64	1	0	1	0	1	0	1	4	615,051
65+	1	0	0	1	0	0	0	2	269,278
Total	**9**	**0**	**2**	**2**	**1**	**1**	**1**	**16**	**$ 2,269,390**

Distribution of Average Annual Salaries

The table below illustrates a distribution of active member salaries based on age and service.

Distribution of Average Annual Salaries by Age and Credited Service
As of June 30, 2011

Attained	--Years of Service at Valuation Date--							Average
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Salary**
15-19	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
20-24	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0
45-49	145,158	0	139,188	0	0	0	0	143,168
50-54	130,490	0	0	0	0	0	0	130,490
55-59	130,490	0	0	136,152	0	166,956	0	138,916
60-64	151,127	0	205,584	0	102,436	0	155,904	153,763
65+	95,291	0	0	173,987	0	0	0	134,639
All Ages	**$ 132,131**	**$ 0**	**$ 172,386**	**$ 155,070**	**$ 102,436**	**$ 166,956**	**$ 155,904**	**$ 141,837**

Distribution of Vested Terminated Participants

The table below illustrates a distribution of inactive member counts based on age and service

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 Vested Inactive Terminated by Age and Service As of June 30, 2011

Attained	--Years of Service at Valuation Date--								Average
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**	**Salary**
15-19	0	0	0	0	0	0	0	0	$ 0
20-24	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0	0
40-44	1	0	0	0	0	0	0	1	130,490
45-49	0	0	0	0	0	0	0	0	0
50-54	3	2	0	0	0	0	0	5	120,889
55-59	1	3	1	0	0	0	0	5	123,779
60-64	1	1	0	0	0	0	0	2	40,302
65+	2	1	0	0	1	0	0	4	65,896
Total	**8**	**7**	**1**	**0**	**1**	**0**	**0**	**17**	**$ 93,883**

Summary of Retirees & Beneficiaries

The table below illustrates a summary of Retiree and Beneficiary counts and benefits by year of retirement.

Summary of Retirees and Beneficiaries
Number Counts and Benefits
By Year of Retirement
As of June 30, 2011

Year Retired	Total Retirees	Total Benefits	Average Benefits
2011	2	$ 113,773	$ 56,887
2010	6	144,089	24,015
2009	4	91,396	22,849
2008	2	160,509	80,255
2007	2	74,620	37,310
2006	4	299,330	74,833
2005	4	50,905	12,726
2004	6	360,100	60,017
2003	3	34,853	11,618
2002	9	488,602	54,289
2001	4	106,842	26,711
2000	7	475,945	67,992
1999	4	158,400	39,600
1998	9	161,420	17,936
1997	5	124,348	24,870
1996	21	882,285	42,014
1995	4	210,249	52,562
1994	11	341,739	31,067
1993	3	76,554	25,518
1992	14	425,321	30,380
1991	8	410,254	51,282
1990	6	182,107	30,351
1989	7	108,311	15,473
1988	3	75,559	25,186
1987	7	344,781	49,254
1986	6	141,635	23,606
1985	3	41,086	13,695
1984	12	182,127	15,177
1983	1	20,995	20,995
1982	13	214,195	16,477
1981	4	72,628	18,157
1980	11	141,834	12,894
1979	17	89,774	5,281
1978	1	38,559	38,559
1977	3	96,065	32,022
1976	9	257,691	28,632
1975	6	166,440	27,740
1974 & Earlier	22	542,445	24,657
Totals	**263**	**$ 7,907,766**	**$ 30,068**

Distribution of Retirees & Beneficiaries

The table below illustrates a distribution of Retiree and Beneficiary counts by age and retirement type.

Distribution of Retirees and Beneficiaries
By Age and Retirement Type (counts only)
As of June 30, 2011

Type of Retirement Benefit		Disability Retiree		Death In Service			
Retiree Age	Service Retiree	Non-industrial	Industrial	Non-industrial	Industrial	Death After Service Retirement	Total
Under 30	6	0	0	0	0	0	6
30-34	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0
45-49	3	0	0	0	0	0	3
50-54	8	0	0	0	0	0	8
55-59	16	0	0	0	0	0	16
60-64	22	0	0	0	0	0	22
65-69	28	0	0	0	0	0	28
70-74	43	0	0	0	0	0	43
75-79	33	1	0	0	0	0	34
80-84	38	0	0	0	0	0	38
85 and Over	64	1	0	0	0	0	65
Total	**261**	**2**	**0**	**0**	**0**	**0**	**263**

Distribution of Retirees & Beneficiaries

The table below illustrates a distribution of Retiree and Beneficiary benefit amounts by age and retirement type.

Distribution of Retirees and Beneficiaries
By Age and Retirement Type
As of June 30, 2011

Type of Retirement Benefit

		Disability Retiree		Death In Service			
Retiree Age	Service Retiree	Non-industrial	Industrial	Non-industrial	Industrial	Death After Service Retirement	Total
Under 30	$ 9,579	$ 0	$ 0	$ 0	$ 0	$ 0	$ 9,579
30-34	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0
45-49	59,692	0	0	0	0	0	59,692
50-54	90,955	0	0	0	0	0	90,955
55-59	506,601	0	0	0	0	0	506,601
60-64	593,709	0	0	0	0	0	593,709
65-69	770,609	0	0	0	0	0	770,609
70-74	1,234,667	0	0	0	0	0	1,234,667
75-79	1,081,379	46,503	0	0	0	0	1,127,882
80-84	1,295,553	0	0	0	0	0	1,295,553
85 and Over	2,096,973	121,546	0	0	0	0	2,218,519
Total Benefits	**$ 7,739,717**	**$ 168,049**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 7,907,766**

Distribution of Retirees & Beneficiaries

The table below illustrates a distribution of retiree and beneficiary counts by years retired and retirement type.

Distribution of Retirees and Beneficiaries
By Years Retired and Retirement Type (counts only)
As of June 30, 2011

Type of Retirement Benefit

		Disability Retiree		Death In Service			
Years Retired	Service Retiree	Non-industrial	Industrial	Non-industrial	Industrial	Death After Service Retirement	Total
Under 5	14	0	0	0	0	0	14
5-9	19	0	0	0	0	0	19
10-14	33	0	0	0	0	0	33
15-19	44	0	0	0	0	0	44
20-24	38	0	0	0	0	0	38
25-29	29	0	0	0	0	0	29
30 & Over	84	2	0	0	0	0	86
Total	**261**	**2**	**0**	**0**	**0**	**0**	**263**

Distribution of Retirees & Beneficiaries

The table below illustrates a distribution of retiree and beneficiary benefit amounts by years retired and retirement type.

Distribution of Retirees and Beneficiaries
By Years Retired and Retirement Type
As of June 30, 2011

Type of Retirement Benefit

		Disability Retiree		Death In Service			
Years Retired	Service Retiree	Non-industrial	Industrial	Non-industrial	Industrial	Death After Service Retirement	Total
Under 5	$ 509,767	$ 0	$ 0	$ 0	$ 0	$ 0	$ 509,767
5-9	819,808	0	0	0	0	0	819,808
10-14	1,391,209	0	0	0	0	0	1,391,209
15-19	1,635,175	0	0	0	0	0	1,635,175
20-24	1,201,552	0	0	0	0	0	1,201,552
25-29	730,624	0	0	0	0	0	730,624
30 & Over	1,451,582	168,049	0	0	0	0	1,619,631
Total Benefits	**$ 7,739,717**	**$ 168,049**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 7,907,766**

Appendices

Contents

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Appendix A - Actuarial Assumptions and Methods

Actuarial Funding Method	The method used to determine the GASB Actuarial Required Contribution (ARC) was the Entry Age Normal actuarial cost method. Under this funding method the actuarial present value of projected pension, termination, death and disability benefits for members and beneficiaries are determined as of the valuation date using the actuarial assumptions set forth below. 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.
Investment Return (Interest)	5.75% compounded per year, net of expenses.
Individual Salary Increases	3.00% compounded per year
Inflation	2.75% compounded per year
Percentage Married	90%
Age of Spouse	Female spouses are assumed to be 4 years younger than male spouses.
Administrative Expenses	.25% of end of year assets.

Retirement

Active members are assumed to retire immediately at the end of their term limit, if eligible

Normal Form of Payment

The normal form of payment is assumed to be a 100% Joint and Survivor Annuity for all members of the Legislature. While the normal form is a 50% Joint and Survivor Annuity for this group, it is valued as a 100% Joint and Survivor Annuity to reflect employer subsidies used in the calculation of other optional benefit forms available to the member. The normal form of payment for all Constitutional and Legislative Statutory Officers is assumed to be a straight life annuity.

Mortality Rates

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, the revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries. 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/experience-study.pdf

Sample mortality rates are shown in the following table.

	Healthy Recipients		Disabled Recipients	
Age	**Male**	**Female**	**Male**	**Female**
35	0.00075	0.00043	0.00984	0.00548
40	0.00093	0.00062	0.01666	0.00674
45	0.00133	0.00085	0.01646	0.00985
50	0.00239	0.00125	0.01632	0.01245
55	0.00474	0.00243	0.01936	0.01580
60	0.00720	0.00431	0.02293	0.01628
65	0.01069	0.00775	0.03174	0.01969
70	0.01675	0.01244	0.03870	0.03019
75	0.03080	0.02071	0.06001	0.03915
80	0.05270	0.03749	0.08388	0.05555
85	0.09775	0.07005	0.14035	0.09577
90	0.16747	0.12404	0.21554	0.14949
95	0.25659	0.21556	0.31025	0.23055
100	0.34551	0.31876	0.45905	0.37662
105	0.58527	0.56093	0.67923	0.61523
110	1.00000	1.00000	1.00000	1.00000

Probabilities of Decrement for Active Participants

Vested Withdrawal – Sample vested withdrawal rates are shown in the following table.

Disability – Sample disability rates are shown in the following table.

Non-vested Withdrawal – Sample rates for non-vested withdrawal are shown in the following

For each 1,000 active participants at the age shown, the following number will leave within a year on account of:

Age	Vested Withdrawal	Disability	Non-Vested Withdrawal
30	50.0	0.1	25.0
35	50.0	0.2	25.0
40	50.0	0.7	20.0
45	40.0	1.2	15.0
50	40.0	2.2	10.0
55	40.0	5.0	0.0
60	40.0	9.5	0.0

For those members subject to a term limit, the Vested Withdrawal assumption is 100% at the end of the term limit.

Retirement Age

The maximum retirement age was assumed to be age 60, except for participants who would not meet the service requirements at age 60 or are older than age 60. Retirement for these participants was assumed to occur at the age when the service requirements were met or when their term limits expires, whichever is later.

Valuation Date

Liabilities are calculated as of June 30th. Data is collected as of June 30th, and is supplied by CalPERS' Judges' and Legislators' Office.

Purchase of Non-Contributory Service

Current active and non-retired inactive members are assumed to have purchased 100% of all non-contributory service as a member of the Legislature, as a Constitutional Officer other than a Judge, or as a Legislative Statutory Officer. Contributions made for the purchase of non-contributory service are based on their current or final compensation.

Actuarial Value of Assets

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. The expected actuarial value of assets is computed by bringing forward the prior year's actuarial value of assets, increased by the contributions received and decreased by the benefits paid during the year at the assumed actuarial rate of return. The actuarial value of assets is then set equal to the expected actuarial value of assets increased by one-fifteenth of the difference between the actual market value of assets and the expected actuarial value of assets as of the valuation date. If the expected actuarial value of assets is determined to be less than 80% or greater than 120% of the market value of assets, then the actuarial value of assets will be set to either 80% or 120% of the market value of assets for valuation purposes, respectively.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 were taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

Internal Revenue Code Section 401(a)(17)

The limitations on benefits imposed by Internal Revenue Code Section 401(a)(17) were taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

****

Changes in Actuarial Assumptions and Methods

The actuarial funding method was changed from the Aggregate Funding Method to the Entry Age Normal Funding Method.

On March 14, 2012 the CalPERS Board voted to lower the assumed rate of inflation from 3% to 2.75% for plans in the Public Employees' Retirement System. Consistent with that decision, the same change has been made for this system. Accordingly, the assumed investment rate of return was lowered from 6% to 5.75% and the assumed salary increase assumption was lowered from 3.25% to 3%.

Appendix B - Summary of Principal Plan Provisions

Political Reform Act of 1990	Proposition 140, the Political Reform Act of 1990, required that Senators and members of the Assembly, first elected after November 7, 1990, participate in the Federal Social Security Program and in no other retirement system.
Name	Legislators' Retirement System.
Effective Date	Effective 1947 by Chapter 879, Statutes of 1947
Authorization	This System is authorized by the Legislators' Retirement Law. The System was first established by Chapter 879, Statutes of 1947. The Legislators' Retirement Law is contained in Sections 9350 through 9378 of the Government Code. Section 9354 of the Code established the Legislators' Retirement Fund.
Administration of Plan	Administration is by the Board of Administration of the California Public Employees' Retirement System.
Eligibility for Membership	Members of the Legislature first elected prior to November 7, 1990, all Constitutional Officers upon electing to join the System, the Insurance Commissioner, and the Legislative Statutory Officers. Currently, these include the Chief Clerk of the Assembly, the Secretary of the Senate, the Sergeant-at-Arms of the Assembly, and the Sergeant-at-Arms of the Senate.
Plan Year	The twelve-month period ending June 30th
Credited Service	The period of time computed in years and/or fractions thereof as a member of the Senate or Assembly, an elective officer of the state, or statutory officer from date of electing membership in the system to termination date. For the purpose of crediting service, each full term as a Member of the Senate shall constitute four calendar years; each full term as a Member of the Assembly

shall constitute two calendar years.

Contributions may be made for Prior Service:

Members of the Legislature and Constitutional Officers - 4% of compensation if elected before March 4, 1972 and 8% of compensation if elected after March 4, 1972. Contributions may be made at any time up to benefit commencement date, provided the individual elected to join the system while in service. No interest is charged on contributions made after the applicable service is performed.

Legislative Statutory Officers - 6 1/2% of compensation if elected before March 4, 1972 and 8% of compensation if elected after March 4, 1972.

State Contributions

Per Section 9358 of the Legislators' Retirement System Law which was amended as a result of Assembly Bill 817, Chapter 897, Statutes of 1999, the State now contributes the actuarially required employer contribution rate determined by the Annual Actuarial Valuation as of June 30th.

Compensation

Compensation means remuneration paid in cash out of funds controlled by the state, excluding mileage, reimbursement for expenses incurred in the performance of official duties, and any per diem allowance paid in lieu of such expenses.

Effective December 7, 2009, elected officials salaries were reduced 18%. For the purposes of determining the present value of benefits, salaries prior to the reduction were used. Actual salaries were used to calculate employer contribution rates.

Eligibility for an Unreduced Service Retirement Allowance

A member is eligible for an unreduced service retirement allowance provided the member has satisfied all of the following requirements:

- The member has attained the age of 60 years and has completed 4 or more years of credited service or
- The member, regardless of attained age, has completed 20 or more years of credited service.
- Legislative Statutory Officers are eligible upon the attainment of age 55 years regardless of the number of years of credited service.

Amount of the Unreduced Service Retirement Allowance

The monthly normal retirement benefit equal to the following:

Members of the Legislature - 3% of the highest compensation multiplied by the years of credited service plus 2% of the first $500 of monthly compensation multiplied by the years of credited service up to 15 years with a maximum benefit of 66 2/3% of the highest monthly compensation.

Constitutional Officers - 5% of the highest compensation multiplied by the years of credited service up to 8 years plus (if the member has 24 or more years of credited service) 1 2/3 % of monthly compensation multiplied by the years of credited service in excess of 8 years, not to exceed 12 years of credited service. The maximum percentage of compensation is 60% of highest monthly compensation.

Legislative Statutory Officers - 3% of the final compensation multiplied by the years of credited service. The allowance may not exceed 66 2/3% of the greater of the member's compensation at the time the member vacates the office or the compensation of the incumbent of that office at the time the payments of the allowance fall due.

Cost-of-Living Increases

All benefits are subject to the full cost-of-living adjustment from the benefit commencement date based on the United States city average of the Consumer Price Index for all Urban Consumers. Compensation rates are not adjusted for increases in the incumbent's compensation after the member leaves office.

Normal Form of Service Retirement Allowance

For Legislators a 50% Joint Survivor Annuity, for Constitutional Officers a Single Straight Life Annuity, and for Legislative Statutory Officers a Single Straight Life Annuity.

Eligibility for a Reduced Early Retirement Allowance

A member, other than a Legislative Statutory Officer is eligible for a reduced early retirement allowance benefit provided that the member has completed 15 or more years of credited service regardless of age. Legislative Statutory Officers are not eligible for a reduced early retirement allowance.

Amount of Reduced Early Retirement Allowance

The monthly reduced early retirement is the unreduced service retirement allowance reduced 2% for each year by which the member's age at the time of retirement is below age 60. Reduction Factors are shown for ages 50 to 59 in the table below.

Age at Retirement	% of Service Retirement Benefit Paid	Age at Retirement	% of Service Retirement Benefit Paid
59	.98	54	.88
58	.96	53	.86
57	.94	52	.84
56	.92	51	.82
55	.90	50	.80

Forms of Retirement Allowance Payments:

- Optional Settlement 1. Single Life Annuity, with the payment of the balance of the member's contributions at the death of the member to the member's beneficiary.
- Optional Settlement 2. 100% Joint and Survivor Annuity.
- Optional Settlement 3. 50% Joint and Survivor Annuity.
- Optional Settlement 4. Subject to the approval of the Board of Administration, a member may select other benefits that are the actuarial equivalent of his/her retirement allowance.
- Members of the Legislature. The member's retirement allowance is unreduced due to the selection of any of the above optional settlements.

Eligibility for a Disability Allowance

All members are eligible and there are no minimum age or service requirements. A medical examination may be required if the applicant is below the minimum age for Service or Early Retirement.

Amount of Disability Allowance

The disability allowance is the same as the service retirement allowance that would be payable to the member if the member had retired for reasons other than disability.

Eligibility for Pre-Retirement Death Allowance

All members are eligible for a Pre-Retirement Death Allowance.

Amount of Pre-Retirement Death Allowance:

Prior to eligibility for Service or Early Retirement - Refund of the member's contributions with interest plus one-twelfth of the member's annual compensation during the last 12 months in office immediately preceding the member's death multiplied by the member's years of credited service.

Subsequent to eligibility for Service or Early Retirement - If the member had elected an optional settlement before death, the surviving spouse will receive the same benefit the surviving spouse would have received had the member's retirement preceded death. If the member had not elected an optional settlement, then the surviving spouse would receive the same benefits had the member elected Optional Settlement 2, a 100% Joint and Survivor Annuity, retired and then died.

Eligibility for Special Survivor Allowance

The surviving spouse who has the care of unmarried children under the age of 18 or unmarried incapacitated children if over the age of 18 or if there is not a spouse with these responsibilities, the guardian who has the care of unmarried children under the age of 18 or unmarried incapacitated children if over the age of 18. In the case where there are no incapacitated children, but a surviving spouse, a deferment age of 62 is required before receiving a benefit. In the case where there is not a surviving spouse or guardian, the dependent parents of the member are eligible and shall be paid the Survivor's Allowance once the age of 62 is attained. This allowance is payable only if the member is not covered by Social Security.

Amount of Special Survivor Allowance

Survivor	Monthly Allowance
Spouse or One Child	$ 180
Spouse and One Child or Two Children	$ 360
Spouse and Two Children or Three Children	$ 430

Benefit payments under this provision are reduced by any other survivor benefits under any other provision under this system.

In-Service Death Allowance	In addition to any benefits paid, the beneficiary of a member who died while in office or employed as a Legislative or Statutory Officer will receive an allowance equal to the member's compensation during the 12 months immediately preceding the member's death.
Post Retirement Death Benefit	Upon the death of a retiree, a one-time lump sum payment of $600 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Appendix C – GASB Statement No. 27

GASB 27

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). The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2011. The contribution rate for the indicated period is 5.380% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, this contribution rate, 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, 2012 to June 30, 2013. The employer and the employer's auditor are responsible for determining the NPO and the APC.

Retirement Program Assumptions

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

More complete information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	31 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	5.75% (net of administrative expenses)
Projected Salary Increases	3.00%
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	3.00%

Schedule of Funding Progress

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

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (UL) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/11	$ 108,976,845	$ 125,645,957	$ (16,669,112)	115.3%	$ 2,269,390	(734.5%)
06/30/10	$ 112,355,875	$ 126,641,553	$ (14,285,678)	112.7%	$ 2,159,181	(661.6%)
06/30/09	$ 111,898,151	$ 134,195,015	$ (22,296,864)	119.9%	$ 2,057,335	(1083.8%)

Appendix D – Investment Return Scenario Analysis

The investment return realized during a fiscal year first affects the contribution rate for the fiscal year 1 year later. Specifically, the investment return for 2011-2012 will first be reflected in the June 30, 2012 actuarial valuation that will be used to set the 2013-2014 employer contribution rates.

As of February 28, 2012, the investment return for the fiscal year to date was announced to be 6.7%. Note that this return is before administrative expenses. For purposes of projecting future employer rates, we are assuming a 6.7% investment return for fiscal year 2011-2012.

Based on a 6.7% investment return for fiscal year 2011-2012 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 2013-2014, the effect on the 2013-2014 Employer Rate is as follows:

Estimated 2013-2014 Employer Rate	Estimated Increase in Employer Rate between 2012-2013 and 2013-2014
6.3%	0.9%

As part of this report, a scenario analysis was performed to determine the effects of various investment returns during fiscal years 2012-2013, 2013-2014 and 2014-2015 on the 2014-2015, 2015-2016 and 2016-2017 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, 2012 through June 30, 2015. The 5th percentile return corresponds to a -1.22% return for each of the 2012-2013, 2013-2014 and 2014-2015 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2012 through June 30, 2015. The 25th percentile return corresponds to a 2.55% return for each of the 2012-2013, 2013-2014 and 2014-2015 fiscal years.
- The third scenario assumed the return for 2012-2013, 2013-2014, 2014-2015 would be our assumed 5.75% investment return.
- The fourth scenario is what one would expect if the markets were to give us a 75th percentile return from July 1, 2012 through June 30, 2015. The 75th percentile return corresponds to a 7.99% return for each of the 2012-2013, 2013-2014 and 2014-2015 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, 2012 through June 30, 2015. The 95th percentile return

corresponds to a 11.80% return for each of the 2012-2013, 2013-2014 and 2014-2015 fiscal years.

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

2012-2015 Investment Return Scenario	**Estimated Employer Rate**			**Estimated Increase in Employer Rate between 2013-2014 and 2016-2017**
	2014-2015	**2015-2016**	**2016-2017**	
-1.22% (5th percentile)	8.3%	11.3%	21.1%	14.8%
2.55% (25th percentile)	7.7%	9.6%	11.9%	5.6%
5.75%	7.2%	8.1%	9.0%	2.7%
7.99%(75th percentile)	6.8%	7.0%	7.0%	0.7%
11.80%(95th percentile)	6.2%	5.2%	3.3%	-3.0%

Appendix E – Discount Rate Sensitivity Analysis

The following analysis looks at the 2012-2013 employer contribution rates under two different discount rate scenarios. Shown below are the employer contribution rates assuming discount rates that are 1% lower and 1% higher than the current valuation discount rate.

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

2012-2013 Employer Contribution Rate			
As of June 30, 2011	**4.75% Discount Rate (-1%)**	**5.75% Return (assumed rate)**	**6.75% Discount Rate (+1%)**
Normal Cost	47.9%	38.944%	31.8%
UAL Payment	(5.3)%	(33.564)%	(31.8)%
Total	42.6%	5.380%	0.000%

Appendix F – Glossary of Actuarial Terms

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 investment return, salary growth and inflation.
Actuarial Methods	Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.
Actuarial Valuation	The determination, as of a valuation date of the normal cost, actuarial 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.
Aggregate Funding Method	Under the aggregate funding method, the required employer contribution is determined as the amount needed to amortize the difference between: 1) the present value of benefits and 2) the sum of the actuarial value of assets and the present value of future member contributions. Both 1 and 2 are determined as of the valuation date.

Amortization Bases

Separate payment schedules for different portions of the unfunded liability. The total unfunded liability (or side fund) can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. 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 liability (principal) due to amendments, actuarial assumption changes, or methodology changes and 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, 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.

Entry Age

The earliest age at which a plan member begins to accrue benefits under a defined benefit pension Plan or risk pool. In most cases, this is the same as the date of hire.

(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 is at 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.)

Excess Assets When a plan or pool's actuarial value of assets is greater than its accrued liability, the difference is the plan or pool's excess assets. A plan with excess assets is said to be overfunded. The result is that the plan or pool can temporarily reduce future contributions.

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 produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e. level % of payroll).

Fresh Start When multiple amortization bases are collapsed into one base and amortized over a new funding period. At CalPERS, fresh starts are used to avoid inconsistencies that would otherwise occur.

Funded Status A measure of how well funded a plan or risk pool is. Or equivalently, how "on track" a plan or risk pool is with respect to assets vs. accrued liabilities. We calculate a funded ratio by dividing the actuarial value of assets by the 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.

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

Pension Actuary A person who is responsible for the calculations necessary to properly fund a pension plan.

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

Present Value of Benefits	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 or does not decline.
Superfunded	A condition existing when the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation may 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. The plan or pool will have to temporarily increase contributions.