



California Public Employees' Retirement System
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Agenda Item 6
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April 17, 2013

The Honorable Jerry Brown
Governor's Office
State Capitol
Sacramento, CA 95814

Mr. Gregory Schmidt
Secretary of the Senate
State Capitol, Room 3044
Sacramento, CA 95814

Ms. Diane F. Boyer-Vine
Legislative Counsel
State Capitol, Room 3021
Sacramento, CA 95814

Ms. E. Dotson Wilson
Chief Clerk of the Assembly
State Capitol, Room 3196
Sacramento, CA 95814

The Board of Administration of the California Public Employees' Retirement System (CalPERS) has accepted the June 30, 2012, Actuarial Valuation of the Judges' Retirement System (System).

As shown in the report, the actuarial value of assets, at market value, as of June 30, 2012, is \$72.693 million. Expected required contributions under the current pay-as-you-go funding approach being followed by the State for fiscal year 2013-14 is \$214 million. The System's present value of benefits as of June 30, 2012, is \$3.245 billion and the employer's annual required contribution (ARC) as determined according to the Governmental Accounting Standards Board Statement No. 27 (GASB 27) for fiscal year 2013-14 is \$1.570 billion.

The Board considers the System's funding deficiency a serious matter. As an example of this funding deficiency, the System has, in the past, been out of funds before the end of the fiscal year, resulting in the delay of benefit payments to members and beneficiaries. Further, the benefit payment demands of the System are projected to continue to increase through fiscal year 2016-17 as the active membership continues to age and retire. Page 5 of the valuation report displays a projection of expected benefit payouts from the System in the coming years.

CalPERS recommends that the State consider some form of advanced funding to pre-fund the future benefit payments under the System for its members and beneficiaries. Two examples of such funding schedules are included in the valuation report. CalPERS staff will be happy to work with the Administration in establishing an acceptable advance-funding program.

The Board is pleased to file the 2012 report for the Judges' Retirement System with the Governor and the Legislature.

Sincerely,

ROB FECKNER, President
Board of Administration