



**Legislators' Retirement System  
Actuarial Valuation  
As of  
June 30, 2012**

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## **Actuarial Certification**

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**Actuarial  
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. This valuation is based on the member and financial data as of June 30, 2012 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. In our opinion, this valuation has been performed in accordance with generally accepted actuarial principles, and in accordance with the standards of practice prescribed by the Actuarial Standards Board. 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 Employee's Retirement Law.

The undersigned are actuaries for CalPERS, who are members of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



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## Highlights and Executive Summary

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## Highlights & Executive Summary

### Introduction

This is the actuarial valuation report as of June 30, 2012 for the Legislators' Retirement System. This actuarial valuation was used to set the 2013-14 required employer contribution rates. The information included provides information regarding retirement and ancillary benefits for Senators and Members of the Assembly (first elected prior to November 7, 1990), Constitutional Officers (first elected prior to December 31, 2012), and Legislative Statutory Officers (first appointed prior to December 31, 2012).

As a result of Assembly Bill 340 which was signed by the Governor on September 12, 2012, the Legislative Retirement System is closed to Constitutional and Statutory Officers effective January 1, 2013. Effective January 1, 2013, the system is closed to new members. The system was partially closed as a result of the Political Reform Act of 1990 (to Senators and Members of the Assembly first elected after November 7, 1990). **In addition, Section 7522.52 requires 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.**

Please note that the pension information as of June 30, 2012 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 has been moved from Appendix C to the body of the report. In addition, the Risk Analysis section formerly in Appendix D, that contained information showing the impact on contribution rates under different investment return scenarios, and also contained a sensitivity analysis showing the impact on current results of a plus or minus 1% change in discount rate was moved to the body of the report. Participant Data was moved from the body of the report to Appendix C.

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

**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, 2012 in order to:

- Establish the actuarially required contributions of the System for the fiscal year July 1, 2013 through June 30, 2014.
- Disclose the funded status of the System.
- Set forth the actuarial assets and funding liabilities of this plan as of June 30, 2012.
- Measure the financial security of the System.
- Provide actuarial information as of June 30, 2012 to the CalPERS Board of Administration.

Use of this report for other purposes may be inappropriate.

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**Legislators' Retirement System**  
**Actuarial Valuation – June 30, 2012**

**Required Employer Contributions** This actuarial valuation sets forth the employer contribution rate for the fiscal year July 1, 2013 through June 30, 2014. The following table shows the Required Employer Contributions. The Required Employer Contributions are shown in dollars and as a percentage of projected payroll.

	<b>Fiscal Year 2012-13</b>	<b>Fiscal Year 2013-14</b>
<b>Actuarially Determined Employer Contribution (in Projected Dollars)</b>		
Payment for Normal Cost	\$ 937,610	\$ 807,591
Payment on the Amortization Bases	(808,086)	(774,892)
Total (not less than zero)	\$ 129,524	\$ 32,698
<b>Actuarially Determined Employer Contribution (Percentage of Payroll)</b>		
Payment for Normal Cost	38.944%	38.381%
Payment on the Amortization Bases	(33.564)%	(36.827)%
Total (not less than zero)	5.380%	1.554%
<b>Minimum Employer Contribution Rate<sup>1</sup></b>	<b>5.380%</b>	<b>38.381%</b>

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

	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Present Value of Projected Benefits	\$ 113,562,460	\$ 112,256,471
Entry Age Normal Accrued Liability	\$ 108,976,845	\$ 108,585,275
Actuarial Value of Assets (AVA)	125,645,957	124,211,901
Unfunded Liability (AVA)	\$ (16,669,112)	\$ (15,626,626)
Market Value of Assets (MVA)	\$ 123,569,795	\$ 123,029,188
Unfunded Liability (MVA)	(14,592,950)	(14,443,913)
Funded Status (MVA)	113.4%	113.3%
<b>Superfunded Status</b>	<b>Yes</b>	<b>Yes</b>

<sup>1</sup> Assembly Bill 340 was signed by the Governor on September 12, 2012. Section 7522.52 requires 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. **While the actuarially determined employer contribution rate is 1.554 percent, the minimum employer contribution rate will be the normal cost rate of 38.381 percent for the fiscal year from July 1, 2013 to June 30, 2014.**

**Changes Since  
Prior Valuation**

**Actuarial Methods** – No changes were made since the prior valuation. A complete description of the actuarial methods used in the June 30, 2012 valuation may be found in Appendix A of this report.

**Actuarial Assumptions** – No changes were made since the prior valuation. A complete description of the actuarial assumptions used in the June 30, 2012 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, 2012 valuation may be found in Appendix B of this report.

**Subsequent Events** – Assembly Bill 340 was signed by the Governor on September 12, 2012. Effective January 1, 2013, the Legislative Retirement System was closed to Constitutional and Statutory Officers. The system was closed to members of the Senate and Assembly in 1990. In addition, Section 7522.52 requires 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.

## **Assets**

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## Assets

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

**Statement of Assets  
As of June 30, 2012  
(Dollars in thousands)**

**Investments at Market Value**

General Cash	\$	686
Equity Securities		
Domestic		22,432
International		17,228
Debt Securities		50,715
Inflation Assets		21,984
Real Assets		10,022
Short Term Investments		<u>5</u>
Subtotal	\$	122,386
Securities Lending Collateral	\$	4,319
Accounts Receivable	\$	<u>209</u>
Total Assets	\$	127,600
<b>Liabilities</b>		
Accounts Payable		(338)
Securities Lending Obligations		<u>(4,233)</u>
Total Liabilities	\$	<u>(4,571)</u>
Market Value of Funds	\$	123,029

**Reconciliation of Market Value of Assets**     The table below illustrates a reconciliation of the market value of assets between years ending 2011 and 2012.

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**Reconciliation of Assets (Market Value)  
As of June 30, 2012**

	<u>Market Value</u>
Beginning Balance as of June 30, 2011	\$ 123,569,795
Prior Year Revenue Adjustment	\$ (95,000)
Contributions	
Member Contributions	0
Employer Contributions	0
Disbursements and Refunds	(7,861,395)
Administrative Expenses	(353,461)
Other Expenses or Credits	(28,000)
Investment Earnings	7,797,249
Ending Balance as of June 30, 2012	\$ 123,029,188

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**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.

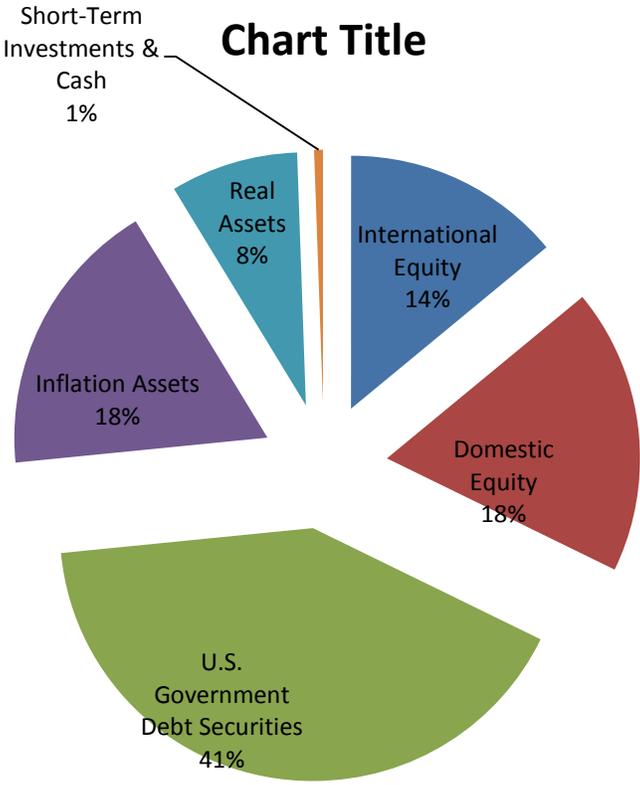
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**Development of the Actuarial Value of Assets  
June 30, 2012**

1.	Actuarial Value of Assets as of June 30, 2011	125,645,957
2.	Contributions Received	
	Member Contributions	0
	State Contributions	<u>0</u>
	Total Additions	0
3.	Deductions	
	Benefit Payments and Refunds	(7,861,395)
	Administrative Expenses	(353,461)
	Prior Year Revenue Adjustment	(95,000)
	Other	<u>(28,000)</u>
	Total Deductions	(8,337,856)
4.	Total Additions Minus Total Deductions	(8,337,856)
5.	Expected Investment Return [(1) x .0575 + (4) x (1.0575 <sup>1/2</sup> -1)]	6,988,279
6.	Expected Actuarial Value of Assets as of June 30, 2012 [(1) + (4) + (5)]	124,296,380
7.	Market Value of Assets as of June 30, 2012	123,029,188
8.	One-Fifteenth of the Difference Between Market Value of Assets and Expected Actuarial Value of Assets [(7) – (6)] x 1/15	(84,479)
9.	Preliminary Actuarial Value of Assets [(6) + (8)]	124,211,901
10.	Ratio of Preliminary Actuarial Value of Assets over Market Value of Assets [(9) / (7) ]	101.0%
11.	Final Actuarial Value of Assets as of June 30, 2012 Minimum of [(9), 120% of (7)]	124,211,901
12.	Final AVA to MVA ratio [(11)/(7)]	101.0%

**Asset  
Allocation  
Chart**

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



## **Liabilities & 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.

		<u>June 30, 2011</u>	<u>June 30, 2012</u>
<b>Members Included in the Valuation</b>			
Active Members		16	14
Vested Inactive Members		17	18
Receiving Benefits		<u>263</u>	<u>253</u>
<b>Total</b>		296	285
<b>Covered Payroll Prior Fiscal Year</b>	\$	2,269,390	1,983,348
<b>Projected Covered Annual Payroll<sup>2</sup></b>	\$	2,407,596	2,104,134
<b>Average Annual Pay</b>	\$	141,837	141,668
<b>Present Value of Benefits at Valuation Date</b>			
Active	\$	14,257,489	11,919,808
Vested Inactive Members		6,215,216	9,041,995
Receiving Benefits		<u>93,089,755</u>	<u>91,294,668</u>
<b>Total</b>	\$	113,562,460	112,256,471
<b>Market Value of Assets</b>	\$	123,569,795	123,029,188
<b>Accrued Liability</b>			
Active	\$	9,671,874	8,248,612
Vested Inactive Members		6,215,216	9,041,995
Receiving Benefits		<u>93,089,755</u>	<u>91,294,668</u>
<b>Total</b>	\$	108,976,845	108,585,275
<b>Actuarial Value of Assets</b>	\$	<u>125,645,957</u>	<u>124,211,901</u>
<b>Unfunded Liability / (Excess Assets)</b>	\$	(16,669,112)	(15,626,626)
<b>Employer Contributions Required (in Dollars)</b>			
Normal Cost	\$	937,610	807,591
Amortization of the Unfunded Liability		<u>(808,086)</u>	<u>(774,892)</u>
<b>Total (not less than zero)</b>	\$	129,524	32,698
<b>Employer Contributions Required (Percentage of Payroll)</b>			
Normal Cost		38.944%	38.381%
Amortization of the Unfunded Liability		<u>(33.564)%</u>	<u>(36.827)%</u>
<b>Total (not less than zero)</b>		5.380%	1.554%
<b>Minimum Employer Contribution Rate<sup>3</sup></b>		5.380%	38.381%

<sup>2</sup> Payroll prior to the December 7, 2009 reduction was used to determine the present value of benefits. Actual payroll was used to calculate the Actuarially Determined Contribution rate.

<sup>3</sup> Section 7522.52 requires 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.

**Gain/Loss Analysis**      Shown below is an analysis of the (Gain)/Loss for the fiscal year ending on the valuation date. The Gain or Loss is shown separately for assets, contributions, and liabilities.

**A. Total (Gain)/Loss for the Year**

1. Unfunded Accrued Liability (UAL) as of 6/30/11	\$ (16,669,112)
2. Expected Payment on UAL during 2011/2012	(1,086,708)
3. Interest through 6/30/12 $[0.0575 \times A1 - (1.0575^{1/2} - 1) \times A2]$	<u>(927,668)</u>
4. Expected UAL before all other changes $[A1 - A2 + A3]$	\$ (16,510,072)
5. Change due to revised actuarial methods	0
6. Change due to new actuarial assumptions	<u>0</u>
7. Expected UAL after all changes $[A4 + A5 + A6]$	(16,510,072)
8. Actual Unfunded Accrued Liability as of 6/30/12	<u>(15,626,626)</u>
9. Total (Gain)/Loss for 2011/2012 $[A8 - A7]$	\$ 883,446

**B. Contribution (Gain)/Loss for the Year**

1. Expected Contribution (Employer and Employee)	\$ 0
2. Interest on Expected Contributions $[(1.0575^{1/2} - 1) \times B1]$	0
3. Actual Contribution	0
4. Interest on Actual Contributions $[((1.0575)^{1/2} - 1) \times B3]$	<u>0</u>
5. Contribution (Gain)/Loss $[(B1 + B2) - (B3 + B4)]$	\$ 0

**C. Asset (Gain)/Loss for the Year**

1. Actuarial Value of Assets as of 6/30/11	\$ 125,645,957
2. Contributions Received	0
3. Benefits, Refunds Paid and Administrative Costs	(8,337,856)
4. Expected Interest $[0.0575 \times C1 + ((1.0575)^{1/2} - 1) \times (C2 + C3)]$	6,988,279
5. Expected Assets at 6/30/11 $[C1 + C2 + C3 + C4]$	\$ 124,296,380
6. Actual Actuarial Value of Assets as of 6/30/12	<u>124,211,901</u>
7. Asset (Gain)/Loss $[C5 - C6]$	\$ 84,479

**D. Liability (Gain)/Loss for the Year**

1. Total (Gain)/Loss (A9)	\$ 883,446
2. Contribution (Gain)/Loss (B5)	0
3. Asset (Gain)/Loss (C7)	<u>84,479</u>
4. Liability (Gain)/Loss $[D1 - D2 - D3]$	\$ 798,967

**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.

<b>Reason For Base</b>	<b>Date Established</b>	<b>Remaining Period</b>	<b>Balance on 6/30/12</b>	<b>Expected Payment on UAL 12-13</b>	<b>Amount Remaining on 6/30/13</b>	<b>Scheduled Payment Fiscal Year 2013-2014</b>
Fresh Start	6/30/12	30	(15,626,626)	(674,163)	(15,831,882)	(774,892)
Total			(15,626,626)	(674,163)	(15,831,882)	(774,892)

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

	<u><b>Percentage of Projected Payroll</b></u>
<b>1. 2012-13 Actuarially Determined Employer Contribution Rate (from prior year annual report)</b>	5.380%
<b>2. Effect of changes since the prior annual valuation</b>	
a) Effect of change in actuarial assumptions	0.000%
b) Effect of new actuarial methods	0.000%
c) Effect of unexpected changes in demographics	<u>(3.826)%</u>
d) Net effect of the changes above [Sum of a through c]	(3.826)%
<b>3. 2013-14 Actuarially Determined Employer Contribution Rate</b>	1.554%
<b>4. 2013-14 Minimum Employer Contribution Rate<sup>4</sup></b>	38.381%

<sup>4</sup> Section 7522.52 requires 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.

**Funding History**

Shown below is the 10-year history of the funding progress for the plan.

<b>Valuation Date</b>	<b>Entry Age Normal Accrued Liability<sup>5</sup></b>	<b>Actuarial Value Of Assets (AVA)</b>	<b>Funded Ratio (AVA)</b>	<b>Market Value of Assets (MVA)</b>	<b>Funded Ratio (MVA)</b>	<b>Annual Covered Payroll</b>
6/30/12	\$ 108,585,275	\$ 124,211,901	114.4%	\$ 123,029,188	113.3%	\$ 1,983,348
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
6/30/07	\$ 101,571,369	\$ 141,603,105	139.4%	\$ 142,209,494	140.0%	\$ 2,105,830
6/30/06	\$ 103,787,096	\$ 139,986,652	134.9%	\$ 133,632,062	128.8%	\$ 1,931,664
6/30/05	\$ 104,974,796	\$ 139,248,807	132.6%	\$ 138,094,730	131.6%	\$ 1,777,308
6/30/04	\$ 104,276,620	\$ 138,984,167	133.3%	\$ 134,588,126	129.1%	\$ 2,156,484
6/30/03	\$ 104,382,558	\$ 137,426,576	131.7%	\$ 130,983,955	125.5%	\$ 2,667,541

<sup>5</sup> 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.

## **Risk Analysis**

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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 used are called actuarial gains and losses. Gains and losses 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

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

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.

<b>Rate Volatility</b>	<b>As of June 30, 2012</b>	
1. Market Value of Assets without Receivables	\$	123,029,188
2. Payroll		1,983,348
3. Asset Volatility Ratio (1. / 2.)		62.0
4. Accrued Liability	\$	108,585,275
5. Liability Volatility Ratio (4. / 2.)		54.7

The volatility ratios for this plan are extremely high due to the partially closed nature of the plan. This would normally indicate a very high level of contribution volatility, but that may not be the case with this plan due to the effect of the minimum contribution requirement pursuant to G.C. Section 7522.22.

## **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 2012-13 will first be reflected in the June 30, 2013 actuarial valuation that will be used to set the 2014-15 employer contribution rates.

As of January 31, 2013, the investment return for the fiscal year to date was announced to be 7.9 percent. For purposes of projecting future employer rates, we are assuming a 7.9 percent investment return for fiscal year 2012-13.

Based on a 7.9 percent investment return for fiscal year 2012-13 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 2014-15, the effect on the 2014-15 Employer Rate is as follows:

<b>Estimated 2014-15 Employer Rate</b>	<b>Estimated Increase in Employer Rate between 2013-14 and 2014-15</b>
2.2%	0.6%

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2013-14, 2014-15 and 2015-16 on the 2015-16, 2016-17 and 2017-18 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 5<sup>th</sup> percentile return from July 1, 2013 through June 30, 2016. The 5<sup>th</sup> percentile return corresponds to a -1.22 percent return for each of the 2013-14, 2014-15 and 2015-16 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25<sup>th</sup> percentile return from July 1, 2013 through June 30, 2016. The 25<sup>th</sup> percentile return corresponds to a 2.55 percent return for each of the 2013-14, 2014-15 and 2015-16 fiscal years.
- The third scenario assumed the return for 2013-14, 2014-15, and 2015-16 would be our assumed 5.75 percent investment return.
- The fourth scenario is what one would expect if the markets were to give us a 75<sup>th</sup> percentile return from July 1, 2013 through June 30, 2016. The 75<sup>th</sup> percentile return corresponds to a 7.99 percent return for each of the 2013-14, 2014-15 and 2015-16 fiscal years.
- Finally, the last scenario is what one would expect if the markets were to give us a 95<sup>th</sup> percentile return from July 1, 2013 through June 30, 2016. The 95<sup>th</sup> percentile return

corresponds to a 11.80 percent return for each of the 2013-14, 2014-15 and 2015-16 fiscal years.

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

<b>2013-16 Investment Return Scenario</b>	<b>Estimated Employer Rate</b>			<b>Estimated Increase in Employer Rate between 2014-15 and 2017-18</b>
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	
-1.22% (5 <sup>th</sup> percentile)	4.1%	7.2%	13.5%	11.3%
2.55% (25 <sup>th</sup> percentile)	3.4%	5.2%	7.5%	5.3%
5.75%	2.8%	3.5%	4.2%	2.0%
7.99% (75 <sup>th</sup> percentile)	2.4%	2.2%	1.8%	-0.4%
11.80% (95 <sup>th</sup> percentile)	1.7%	0.1%	0%	-2.2%

The table above does not include the impact of G.C. Section 7522.22. As all of the contribution rates shown are less than the employer normal cost. The minimum contribution would be the same in every case. As such, this plan is very insensitive to investment returns.

## Discount Rate Sensitivity Analysis

The following analysis looks at the 2013-14 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 type of analysis gives the reader a sense of the long-term risk to the actuarially determined employer contribution rates.

<b>2013-14 Employer Contribution Rate</b>			
<b>As of June 30, 2012</b>	<b>4.75% Discount Rate (-1%)</b>	<b>5.75% Return (assumed rate)</b>	<b>6.75% Discount Rate (+1%)</b>
Normal Cost	47.2%	38.381%	31.3%
UAL Payment	<u>(6.4)%</u>	<u>(36.827)%</u>	<u>(31.3)%</u>
Total	40.8%	1.554%	0.000%

The table above does not include the impact of G.C. Section 7522.22. The minimum contribution would be equal to the normal cost shown for each discount rate in the table above.

The following table presents the funded status on a MVA basis of the Legislative Retirement System calculated using the discount rate of 5.75 percent, as well as what the Legislative Retirement System's funded status would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

<b>Funded Status on a MVA Basis</b>			
<b>As of June 30, 2012</b>	<b>4.75% Discount Rate (-1%)</b>	<b>5.75% Return (assumed rate)</b>	<b>6.75% Discount Rate (+1%)</b>
AL	120,981,542	108,585,275	98,417,695
MVA	123,029,188	123,029,188	123,029,188
UAL(MVA)	(2,047,646)	(14,443,913)	(24,611,493)

# **Information for Compliance with GASB Statement No. 27**

**Contents**

This section contains the following topics:

<b>Topic</b>	<b>Page</b>
GASB Statement NO. 27	23
Retirement Program Assumptions	23
Schedule of Funding Progress	24

## **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, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2012. The actuarially determined contribution rate for the indicated period is 1.554 percent of payroll. The minimum employer contribution rate<sup>6</sup> due to G.C. Section 7522.22 is 38.381 percent. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, 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, 2013 to June 30, 2014. 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 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.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period Asset	31 Years as of the Valuation Date
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%

<sup>6</sup> Section 7522.52 requires 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.

**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.

---

<b>Valuation Date</b>	<b>Entry Age Normal Accrued Liability (a)</b>	<b>Actuarial Value of Assets (b)</b>	<b>Unfunded Liability (UL) (a)-(b)</b>	<b>Funded Status (b)/(a)</b>	<b>Annual Covered Payroll (c)</b>	<b>UL As a % of Payroll [(a)-(b)]/(c)</b>
06/30/12	\$ 108,585,275	\$ 124,211,901	\$ (15,626,626)	114.4%	\$ 1,983,348	(787.9%)
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%)

## **Appendices**

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### **Contents**

This section contains the following topics:

<b>Topic</b>	<b>Page</b>
Appendix A - Actuarial Assumptions and Methods	A-1
Appendix B - Principal Plan Provisions	B-1
Appendix C - Participant Data	C-1
Appendix D - Glossary of Actuarial Terms	D-1

## Appendix A - Actuarial Assumptions and Methods

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**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.

The following table provides a brief history of the actuarial cost method.

<b>Valuation Year June 30</b>	<b>Funding Method</b>
1996	Entry Age Normal
1997 to 2010	Aggregate
2011 to Current	Entry Age Normal

**Investment  
Return  
(Interest)**

5.75 percent compounded per year, net of expenses. The following table provides a brief history of the Investment Return Assumption.

<b>Time Frame</b>	<b>Investment Return</b>
7/1/1998 - 6/30/2004	7.50%
7/1/2004 - 6/30/2011	7.00%
7/1/2011 - 6/30/12	6.00%
7/1/2012 - Current	5.75%

**Individual Salary Increases** 3.00 percent compounded per year

---

**Inflation** 2.75 percent compounded per year. The following table provides a brief history of the Inflation Return Assumption.

Time Frame	Inflation
7/1/1998 - 6/30/2004	3.50%
7/1/2004 - 6/30/12	3.00%
7/1/2012 - Current	2.75%

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**Percentage Married** 90 percent

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**Age of Spouse** Female spouses are assumed 4 years younger than male spouses are.

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**Administrative Expenses** 0.25 percent of end of year assets.

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**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 a 100 percent Joint and Survivor Annuity for all members of the Legislature. While the normal form is a 50 percent Joint and Survivor Annuity for this group, it is valued as a 100 percent 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 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.

Age	Healthy Recipients		Disabled Recipients	
	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:

<u>Age</u>	<u>Vested Withdrawal</u>	<u>Disability</u>	<u>Non-Vested Withdrawal</u>
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 percent at the end of the term limit.

**Retirement Age**      The maximum retirement age was assumed 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 30<sup>th</sup>. Data is collected as of June 30<sup>th</sup>, 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 percent 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 percent or greater than 120 percent of the market value of assets, then the actuarial value of assets will be set to either 80 percent or 120 percent of the market value of assets for valuation purposes, respectively.

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**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.

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**Internal  
Revenue Code  
Section  
401(a) (17)**

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

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## Appendix B - Principal Plan Provisions

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<b>Political Reform Act of 1990</b>	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.
<b>Name</b>	Legislators' Retirement System.
<b>Effective Date</b>	Effective 1947 by Chapter 879, Statutes of 1947
<b>Authorization</b>	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.
<b>Administration of Plan</b>	Administration is by the Board of Administration of the California Public Employees' Retirement System.
<b>Eligibility for Membership</b>	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.
<b>Plan Year</b>	The twelve-month period ending June 30th
<b>Credited Service</b>	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 percent of compensation if elected before March 4, 1972 and 8 percent 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 percent of compensation if elected before March 4, 1972 and 8 percent of compensation if elected after March 4, 1972.

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**State Contributions** Per Section 9358 of the Legislators' Retirement System Law, which was amended because 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 percent. 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 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  
Unreduced  
Service  
Retirement  
Allowance**

The monthly normal retirement benefit equal to the following:

**Members of the Legislature** - 3 percent of the highest compensation multiplied by the years of credited service plus 2 percent 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 percent of the highest monthly compensation.

**Constitutional Officers** - 5 percent 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 percent 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 percent of highest monthly compensation.

**Legislative Statutory Officers** - 3 percent of the final compensation multiplied by the years of credited service. The allowance may not exceed 66 2/3 percent 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 percent 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 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 percent 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 percent Joint and Survivor Annuity.
- Optional Settlement 3. 50 percent 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 is 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 percent 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.

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**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.

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## Appendix C - Participant Data

**Reconciliation of Participants** The table below illustrates the change in members from June 30, 2011 to June 30, 2012.

### Reconciliation of Participants For the Fiscal Year Ending June 30, 2012

	Actives	Inactive	Retirees and Beneficiaries	Total
<b>As of June 30, 2011</b>	16	17	263	296
1. New Entrants	0	0	0	0
2. Rehires	0	0	0	0
3. Refunds	0	(1)	0	(1)
4. Retirements	0	0	0	0
5. Disabilities	0	0	0	0
6. Transferred	(2)	2	0	0
7. Community Property Splits	0	0	0	0
8. Death with Beneficiary	0	0	(3)	(3)
9. Death without Beneficiary	0	0	(5)	(5)
10. New Beneficiary	0	0	3	3
11. Beneficiary Death	0	0	(5)	(5)
<b>As of June 30, 2012</b>	<b>14</b>	<b>18</b>	<b>253</b>	<b>285</b>

**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, 2012**

Attained Age	--Years of Service at Valuation Date--							Total	Valuation Salary
	0-4	5-9	10-14	15-19	20-24	25-29	30+		
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	1	0	1	0	0	0	0	2	290,316
50-54	1	1	0	0	0	0	0	2	269,679
55-59	1	2	0	0	0	0	1	4	564,438
60-64	2	0	0	0	1	0	0	3	384,054
65+	1	0	0	2	0	0	0	3	474,862
<b>Total</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>14</b>	<b>\$ 1,983,348</b>

**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, 2012**

Attained Age	--Years of Service at Valuation Date--							Average Salary
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
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	151,127	0	139,189	0	0	0	0	145,158
50-54	139,189	130,490	0	0	0	0	0	134,839
55-59	130,490	130,490	0	0	0	0	172,968	141,109
60-64	140,808	0	0	0	102,437	0	0	128,018
65+	95,291	0	0	189,786	0	0	0	158,287
<b>All Ages</b>	<b>\$ 132,952</b>	<b>\$ 130,490</b>	<b>\$ 139,189</b>	<b>\$ 189,786</b>	<b>\$ 102,437</b>	<b>\$ 0</b>	<b>\$ 172,968</b>	<b>\$ 141,668</b>

**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, 2012**

Attained Age	--Years of Service at Valuation Date--							Total	Average Salary
	0-4	5-9	10-14	15-19	20-24	25-29	30+		
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	1	2	0	0	0	0	0	3	100,456
55-59	3	3	0	1	0	0	0	7	143,660
60-64	0	0	1	0	0	0	1	2	104,202
65+	2	2	0	0	1	0	0	5	58,337
<b>Total</b>	<b>7</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>18</b>	<b>\$ 107,643</b>

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

**Retirees and Beneficiaries  
Number Counts and Benefits  
By Year of Retirement  
As of June 30, 2012**

Year Retired	Total Retirees	Total Benefits	Average Benefits
2012	0	0	0
2011	2	117,368	58,684
2010	6	148,643	24,774
2009	1	83,096	83,096
2008	2	165,580	82,790
2007	2	76,978	38,489
2006	4	308,789	77,197
2005	4	52,514	13,129
2004	6	371,477	61,913
2003	3	35,955	11,985
2002	8	437,222	54,653
2001	4	110,217	27,554
2000	7	411,946	58,849
1999	3	140,546	46,849
1998	5	145,138	29,028
1997	6	130,625	21,771
1996	21	785,310	37,396
1995	9	320,496	35,611
1994	10	313,901	31,390
1993	4	102,318	25,580
1992	12	502,629	41,886
1991	11	714,679	64,971
1990	10	180,801	18,080
1989	8	119,438	14,930
1988	3	89,109	29,703
1987	5	100,359	20,072
1986	6	149,929	24,988
1985	3	42,384	14,128
1984	10	155,299	15,530
1983	1	21,659	21,659
1982	13	218,499	16,808
1981	4	74,923	18,731
1980	13	147,468	11,344
1979	14	82,558	5,897
1978	1	39,778	39,778
1977	3	99,100	33,033
1976	8	260,811	32,601
1975	4	142,813	35,703
1974 & Earlier	17	402,582	23,681
<b>Totals</b>	<b>253</b>	<b>\$ 7,802,937</b>	<b>\$ 30,842</b>

**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, 2012**

Type of Retirement Benefit

Retiree Age	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	Total
		Non-industrial	Industrial	Non-industrial	Industrial		
Under 30	7	0	0	0	0	0	7
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	2	0	0	0	0	0	2
50-54	10	0	0	0	0	0	10
55-59	11	0	0	0	0	0	11
60-64	23	0	0	0	0	0	23
65-69	29	0	0	0	0	0	29
70-74	40	0	0	0	0	0	40
75-79	30	1	0	0	0	0	31
80-84	33	0	0	0	0	0	33
85 and Over	66	1	0	0	0	0	67
<b>Total</b>	<b>251</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>253</b>

**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, 2012**

Type of Retirement Benefit

Retiree Age	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	Total
		Non-industrial	Industrial	Non-industrial	Industrial		
Under 30	54,904	0	0	0	0	0	54,904
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	39,087	0	0	0	0	0	39,087
50-54	164,637	0	0	0	0	0	164,637
55-59	293,030	0	0	0	0	0	293,030
60-64	705,318	0	0	0	0	0	705,318
65-69	783,877	0	0	0	0	0	783,877
70-74	1,129,639	0	0	0	0	0	1,129,639
75-79	905,073	47,973	0	0	0	0	953,046
80-84	1,237,723	0	0	0	0	0	1,237,723
85 and Over	2,316,294	125,382	0	0	0	0	2,441,676
<b>Total Benefits</b>	<b>\$ 7,629,582</b>	<b>\$ 173,355</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,802,937</b>

**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, 2012**

Type of Retirement Benefit

Years Retired	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	Total
		Non-industrial	Industrial	Non-industrial	Industrial		
Under 5	9	0	0	0	0	0	9
5-9	18	0	0	0	0	0	18
10-14	25	0	0	0	0	0	25
15-19	51	0	0	0	0	0	51
20-24	45	0	0	0	0	0	45
25-29	27	0	0	0	0	0	27
30 & Over	76	2	0	0	0	0	78
<b>Total</b>	<b>251</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>253</b>

**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, 2012**

Type of Retirement Benefit

Years Retired	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	Total
		Non-industrial	Industrial	Non-industrial	Industrial		
Under 5	349,107	0	0	0	0	0	349,107
5-9	975,338	0	0	0	0	0	975,338
10-14	1,135,886	0	0	0	0	0	1,135,886
15-19	1,695,470	0	0	0	0	0	1,695,470
20-24	1,619,865	0	0	0	0	0	1,619,865
25-29	537,080	0	0	0	0	0	537,080
30 & Over	1,316,836	173,355	0	0	0	0	1,490,191
<b>Total Benefits</b>	<b>\$ 7,629,582</b>	<b>\$ 173,355</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,802,937</b>

## **Appendix D – Glossary of Actuarial Terms**

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

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**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.

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**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.

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**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.

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**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.

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**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.

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**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.

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**Amortization Period**      The number of years required to pay off an amortization base.

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**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.

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**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.)

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**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.

<b>Entry Age Normal Cost Method</b>	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).
<b>Fresh Start</b>	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.
<b>Funded Status</b>	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 percent means the plan or risk pool has more assets than liabilities and a ratio less than 100 percent means liabilities are greater than assets.
<b>Normal Cost</b>	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.
<b>Pension Actuary</b>	A person who is responsible for the calculations necessary to properly fund a pension plan.
<b>Prepayment Contribution</b>	A payment made by the employer to reduce or eliminate the year has required employer contribution.
<b>Present Value of Benefits</b>	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.
<b>Rolling Amortization Period</b>	An amortization period that remains the same each year or does not decline.

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**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.

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**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.

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