



California Public Employees' Retirement System
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February 18, 2016

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

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Secretary of the Senate
State Capitol, Room 3044
Sacramento, CA 95814

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Chief Clerk of the Assembly
State Capitol, Room 3196
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The Board of Administration of the California Public Employees' Retirement System (CalPERS) has accepted the June 30, 2015 Actuarial Valuation of the Judges' Retirement System (System).

As shown in the report, the value of assets at market value as of June 30, 2015 is \$41.2 million. Expected required contributions under the current pay-as-you-go funding approach being followed by the State for fiscal year 2015-16 is \$227.3 million. The System's present value of benefits as of June 30, 2015 is \$3.4 billion.

The Board has considered the System's funding deficiency to be a serious matter for many years. The CalPERS Board of Administration urges the Governor and the Legislature to consider implementing some form of advance funding of the Judges Retirement System.

As in prior years, CalPERS staff will be happy to work with the Administration in establishing an advance-funding program that is both financially sound and meets the needs of the State.

As indicated in the report, the case of Robert M. Mallano, et al. v. John Chiang, Controller of the State of California (SCO), the Judges' Retirement System (JRS), and the Judges' Retirement System II (JRS II) will have an impact on the Judges Retirement System II. Once implemented, the changes will result in a higher Unfunded Liability, a lower Funded Status and higher pay-as-you-go costs necessary during the 2016-17 Fiscal Year. We anticipate the impact of this lawsuit to be reflected in the June 30, 2016 valuation.

The Board is pleased to file the 2015 report for the Judges' Retirement System with the Governor and the Legislature.

Sincerely,

ROB FECKNER, President
Board of Administration