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Date: December 5, 2005  
 Reference No.:  
 Circular Letter No.: 400-264-05  
 Distribution: I, IA, IIB & Special  
 Special: State Department of  
 Personnel Administration

# Circular Letter

TO: MEMBERS, BOARD OF ADMINISTRATION,  
 EMPLOYEE/EMPLOYER ORGANIZATIONS,  
 MANAGEMENT, STAFF

SUBJECT: 2006 PPPA FACTORS

Our actuarial staff has developed the Purchasing Power Protection Allowance (PPPA) factors for 2006. Increases (or decreases) based on these factors will be included as part of the monthly retirement warrants to those retirees and beneficiaries who are entitled to receive the PPPA benefits.

The PPPA payments are designed to restore up to a maximum of 75% of the original purchasing power of retirement allowances for those retirees with state or school service and 80% of the original purchasing power of retirement allowances for those retirees with public agency service. Eligibility for the PPPA benefit is based on the year of retirement, cost-of-living adjustments received, payment of one-time increases, also known as Ad Hoc increases, and declining purchasing power that is measured by the United States City Average Consumer Price Index (CPI). The estimated rate of inflation used to develop the factors is 3.641%.

The table shown below provides the factors for the three largest employer groups: the State, Schools and a majority of Public Agencies providing 2% of cost-of-living adjustments. Remember, the Public Agency table does not represent all public agency employers that provide a 2% cost-of-living adjustment.

| <u>Year of Retirement</u> | <u>State %</u> |             | <u>Schools %</u> |             | <u>P.A. w/ 2% COLA</u> |             |
|---------------------------|----------------|-------------|------------------|-------------|------------------------|-------------|
|                           | <u>2005</u>    | <u>2006</u> | <u>2005</u>      | <u>2006</u> | <u>2005</u>            | <u>2006</u> |
| 1965 or before            | 47.929         | 50.905      | 56.904           | 59.915      | 124.719                | 129.226     |
| 1966                      | 52.439         | 55.280      | 60.600           | 63.755      | 122.841                | 127.273     |
| 1967                      | 54.639         | 57.563      | 61.290           | 64.474      | 120.994                | 125.352     |
| 1968                      | 54.321         | 57.563      | 61.290           | 64.474      | 116.216                | 120.994     |
| 1969                      | 54.321         | 57.233      | 60.944           | 64.114      | 109.424                | 113.904     |
| 1970                      | 53.061         | 56.250      | 59.915           | 63.043      | 102.020                | 105.656     |
| 1971                      | 52.749         | 55.925      | 59.574           | 62.690      | 97.531                 | 101.005     |
| 1972                      | 53.689         | 56.576      | 60.256           | 63.399      | 94.647                 | 98.511      |
| 1973                      | 52.130         | 55.280      | 58.898           | 61.987      | 86.916                 | 90.931      |
| 1974                      | 50.000         | 52.749      | 56.250           | 59.574      | 72.043                 | 75.439      |
| 1975                      | 42.045         | 44.788      | 50.602           | 53.689      | 60.643                 | 63.934      |
| 1976                      | 39.665         | 42.586      | 45.349           | 48.221      | 55.039                 | 58.103      |
| 1977                      | 33.929         | 36.612      | 39.147           | 42.045      | 48.423                 | 51.515      |
| 1978                      | 26.904         | 29.310      | 32.042           | 34.409      | 40.845                 | 43.369      |
| 1979                      | 16.279         | 18.483      | 20.968           | 23.355      | 29.032                 | 31.579      |
| 1980                      | 4.457          | 6.534       | 8.696            | 10.783      | 15.942                 | 18.168      |
| 1981                      | 0.402          | 2.319       | 0.402            | 2.319       | 7.095                  | 9.141       |
| 1982                      |                |             |                  |             | 2.960                  | 4.987       |
| 1983                      |                |             |                  |             | 1.781                  | 3.761       |
| 1984                      |                |             |                  |             | 0.000                  | 1.523       |

If you have any questions regarding these factors or the PPPA program, please contact the Benefit Services Division at P.O. Box 942716, Sacramento, California 94229-2716 or contact CalPERS at the toll free telephone number of 1-888-CalPERS (225-7377).

A handwritten signature in black ink, appearing to read "Donna Ramel Lum". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Donna Ramel Lum, Chief  
Benefit Services Division