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(310) 312-1100

Attorneys for Respondent Richard Lewis

BEFORE THE BOARD OF ADMINISTRATION

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

In the Matter of the Appeal of CalPERS' Denial of Pension Benefits to Richard Lewis RICHARD LEWIS and CITY OF SAN BERNARDINO, Respondents.	**CALPERS CASE NO.: 2014 0256** **OAH CASE NO.: 2014040945** **RESPONDENT RICHARD LEWIS' REQUEST FOR JUDICIAL AND OFFICIAL NOTICE**

Notice is hereby given to the California Public Employees' Retirement System and its Board of Administration (collectively "CalPERS), and to the Office of Administrative hearings:

Respondent Richard Lewis submits this *Request for Official and Judicial Notice* under *Evidence Code* sections 450, 451, 452, and 459 *et seq.* and *Government Code* Section 11515 concerning the following documents:

(1) CalPERS' *October 2014 Actuarial Valuation as of June 30, 2013 for the Safety Plan of the City of San Bernardino* and cover letter;

(2) CalPERS' *Annual Review of Funding Levels and Risks As of June 20, 2011*; and

(3) May 18, 2015 article from the *Los Angeles Times*, "San Bernardino's bankruptcy plan favors CalPERS."

The relevance is that the City of San Bernardino alone bears the full present and future cost and obligation to fund Richard Lewis' CalPERS retirement benefits. CalPERs pays no

share. No other entity pays any share.

True and complete copies of the documents for which Respondent seeks Official and Judicial Notice are attached as **Exhibits 1 through 3**. They are also authenticated in the Declaration of John Michael Jensen. This *Request for Official and Judicial Notice* is based on this filing and the other filings in this matter.

Dated: June 18, 2015

By: _____
John Michael Jensen,
Attorney for Respondent
Richard Lewis

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

These documents are offered to the Court solely to show that the City of San Bernardino alone bears the full present and future cost and obligation to fund Richard Lewis' CalPERS retirement benefits.

This RJN is made to correct an erroneous impression by CalPERS in its *Reply Brief* that a portion of the pension payments sought by Mr. Lewis will somehow be borne by either other employer members of CalPERS or by CalPERS itself, rather than the City of San Bernardino.

Respondent Richard Lewis requests *Official and Judicial Notice* of the following documents:

(1) CalPERS' *October 2014 Actuarial Valuation as of June 30, 2013 for the Safety Plan of the City of San Bernardino* and cover letter;

(2) CalPERS' *Annual Review of Funding Levels and Risks As of June 20, 2011*; and

(3) May 18, 2015 article from the *Los Angeles Times*, "San Bernardino's bankruptcy plan favors CalPERS."

The attached materials are submitted for judicial and official notice only because CalPERS raised the issue of the funding of Mr. Lewis' pension for the very first time in its *Reply Brief*, denying Mr. Lewis the opportunity to dispute CalPERS' claims.

II. DOCUMENTS

Exhibit 1 is a CalPERS' publication entled *October 2014 Actuarial Valuation as of June 30, 2013 for the Safety Plan of the City of San Bernardino* and the cover letter to that publication. It is relevant to Mr. Lewis' case and goes to the issue that the City of San Bernardino alone bears the full present and future cost and obligation to fund Richard Lewis' CalPERS retirement benefits

Exhibit 2 is a CalPERS publication entitled CalPERS' *Annual Review of Funding Levels and Risks As of June 20, 2011* which raises the earlier bankruptcy of the City and states that "the participating employers' contributory obligations to CalPERS are determined on an actuarial basis taking into account investment returns, employee life expectancy, projected retirement date

and projected compensation." (Exhibit 2, page 2 of 20.) This indicates that CalPERS will determine the contributions due from employers like the City based on the pension benefits owed to City employees and tha CalPERS itself pays no share of the present or future cost and obligation to fund Richard Lewis' CalPERS retirement benefits

Exhibit 3 is a May 18, 2015 *Los Angeles Times* article entitled "San Bernardino's bankruptcy plan favors CalPERS." This document is relevant to Mr. Lewis' case and goes to the issue that the City has submitted a bankruptcy exit plan to the Court agreeing to pay all of the nearly $50 million the City owes to CalPERS. It indicates that the City will meet all of its financial obligations to CalPERS.

LAW AND ARGUMENT

The doctrine of judicial notice is applicable to administrative proceedings, in which it is properly characterized as "official notice." (*1 Witkin, Cal. Evid. 5th (2012) Intro--Evid, § 74, p. 110.*)

Govt. Code section 11515 authorizies official notice, including "of any fact which may be judicially noticed by the courts."

Plaintiffs seek for the Court to recognize and accept for use by the trier of fact or by the Court of the existence of various matters of law or fact. (*Evidence Code*, §§450, *et seq*; *People v. Rowland* (1992) 4 Cal.4th 238, 268.)

Plaintiffs seek judicial and official notice of:

(1) *CalPERS' Official Records and Reports.* Judicial and official notice may be taken of *official reports and publications* by government agencies. (*Arce v. Kaiser Found. Health Plan, Inc., supra*, at 484.) Under *Evidence Code*, §452(c), the trial court may take judicial notice of the records and files of a state administrative board. (*Fowler v. Howell, supra*, at 1750.) To the degree that the filings in defendants' request for judicial notice are the "official acts" of the agency, they are noticeable. (*Stevens v. Superior Court* (1999) 75 Cal.App.4th 594, 607-608.)

(2) *Facts and propositions of generalized knowledge that are so universally known that they cannot reasonably be the subject of dispute.* (*Evid. Code*, §§451(f),

452(g)-(h).)

Dated: June 18, 2015

By: _____
John Michael Jensen,
Attorney for Respondent Richard Lewis

DECLARATION OF JOHN MICHAEL JENSEN

I, JOHN MICHAEL JENSEN, declare as follows:

1. The statements herein are based upon my personal knowledge and if called to testify under oath in court I could and would so testify.

2. I am over 18 years old.

3. I have been counsel of record for Respondent Richard Lewis since this action was filed.

4. **Exhibit 1** is a true and correct copy of CalPERS' publication October 2014 Actuarial *Valuation as of June 30, 2013 for the Safety Plan of the City of San Bernardino* and cover letter which I downloaded from the CalPERS website at http://calpers.ca.gov on June 18, 2015.

5. **Exhibit 2** is a true and correct copy of CalPERS' publication *Annual Review of Funding Levels and Risks As of June 20, 2011* which I downloaded from the CalPERS website at http://calpers.ca.gov on June 18, 2015.

6. **Exhibit 3** is a true and correct copy of a May 18, 2015 article from the *Los Angeles Times*, "San Bernardino's bankruptcy plan favors CalPERS" which I downloaded from the *Los Angeles Times* website at http://latimes.com on June 18, 2015.

Under penalty of perjury, I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true.

DATED: June 18, 2015

John Michael Jensen

Exhibit 1

California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone · (916) 795-2744 fax
www.calpers.ca.gov

October 2014

SAFETY PLAN OF THE CITY OF SAN BERNARDINO (CalPERS ID: 6652305580)
Annual Valuation Report as of June 30, 2013

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2013 actuarial valuation report of your pension plan. Your 2013 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the Actuarial Certification Section on page 1, is available to discuss the report with you after October 31, 2014.

Future Contribution Rates

The exhibit below displays the Minimum Employer Contribution Rate for fiscal year 2015-16 and a projected contribution rate for 2016-17, before any cost sharing. The projected rate for 2016-17 is based on the most recent information available, including an estimate of the investment return for fiscal year 2013-14, namely 18 percent, and the impact of the actuarial assumptions adopted by the CalPERS Board in February 2014 that will impact employer rates for the first time in fiscal year 2016-17. For a projection of employer rates beyond 2016-17, please refer to the "Projected Rates" in the "Risk Analysis" section, which includes rate projections through 2020-21 under a variety of investment return scenarios. Please disregard any projections that we may have provided you in the past.

Fiscal Year	Employer Contribution Rate
2015-16	38.807%
2016-17	42.3% (projected)

Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the above rates. **The employer contribution rates in this report do not reflect any cost sharing arrangement you may have with your employees.**

The estimate for 2016-17 also assumes that there are no future contract amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). This is a very important assumption because these gains and losses do occur and can have a significant impact on your contribution rate. Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate of one or two percent of payroll and may be even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rates are just estimates. Your actual rate for 2016-17 will be provided in next year's report.

Changes since the Prior Year's Valuation

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. The impact of the PEPRA changes are included in the rates and the benefit provision listings of the June 30, 2013 valuation for the 2015-16 rates. For more information on PEPRA, please refer to the CalPERS website.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long- term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Besides the above noted changes, there may also be changes specific to your plan such as contract amendments and funding changes.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A, "Actuarial Methods and Assumptions." The effect of the changes on your rate is included in the "Reconciliation of Required Employer Contributions."

As disclosed in the previous valuation, the City of San Bernardino did not remit its full contributions for the fiscal year 2012-13. The principal amount of payments required to be made to CalPERS by the City during fiscal year 2012/2013 and which were not made by the City during that time was approximately $13.5 million for all of the City's plans (Miscellaneous and Safety) combined, excluding interest, penalties, late fees, costs of collection and the like. As a result, the outstanding principal amount of unpaid contributions of approximately $9.6 million has been reflected as a receivable in the market value of assets at June 30, 2013 for the City's Safety Plan. This amount excludes interest, penalties, late fees, costs of collection and the like. During fiscal year 2013/2014, as part of a confidential court-ordered mediation process, the City and CalPERS reached an agreement regarding various items. While the terms of this agreement remain confidential, since reaching the agreement, the City has made certain partial payments with respect to the deferred amounts owing.

We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after October 31 to contact us with actuarial questions. If you have other questions, you may call the Customer Contact Center at (888)-CalPERS or (**888-225-7377**).

Sincerely,

ALAN MILLIGAN
Chief Actuary

ACTUARIAL VALUATION

as of June 30, 2013

for the
SAFETY PLAN
of the
CITY OF SAN BERNARDINO

(CalPERS ID: 6652305580)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2015 – June 30, 2016

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ACTUARIAL CERTIFICATION

To the best of our knowledge, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the SAFETY PLAN OF THE CITY OF SAN BERNARDINO. This valuation is based on the member and financial data as of June 30, 2013 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that 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 Employees' Retirement Law.

The undersigned is an actuary for CalPERS, who is a member of the American Academy of Actuaries and the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

KERRY J. WORGAN, MAAA, FSA, FCIA
Senior Pension Actuary, CalPERS

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HIGHLIGHTS AND EXECUTIVE SUMMARY

- **INTRODUCTION**
- **PURPOSE OF THE REPORT**
- **REQUIRED EMPLOYER CONTRIBUTION**
- **PLAN'S FUNDED STATUS**
- **COST**
- **CHANGES SINCE THE PRIOR YEAR'S VALUATION**
- **SUBSEQUENT EVENTS**

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Introduction

This report presents the results of the June 30, 2013 actuarial valuation of the SAFETY PLAN OF THE CITY OF SAN BERNARDINO of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the fiscal year 2015-16 required employer contribution rates.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. The impact of most of the PEPRA changes are included in the rates and the benefit provision listings of the June 30, 2013 valuation, which sets the 2015-16 contribution rates. For more information on PEPRA, please refer to the CalPERS website.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy, which spread investment returns over a 15-year period while experience gains and losses were amortized over a rolling 30-year period. Effective with the June 30, 2013 valuations, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. The new amortization and smoothing policy is used in this valuation.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Purpose of the Report

The actuarial valuation was prepared by the CalPERS Actuarial Office using data as of June 30, 2013. The purpose of the report is to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2013;
- Determine the required employer contribution rate for the fiscal year July 1, 2015 through June 30, 2016;
- Provide actuarial information as of June 30, 2013 to the CalPERS Board of Administration and other interested parties; and to
- Provide pension information as of June 30, 2013 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

California Actuarial Advisory Panel Recommendations

This report includes all the basic disclosure elements as described in the *Model Disclosure Elements for Actuarial Valuation Reports* recommended in 2011 by the California Actuarial Advisory Panel (CAAP), with the exception of including the original base amounts of the various components of the unfunded liability in the Schedule of Amortization Bases shown on page 19.

Additionally, this report includes the following "Enhanced Risk Disclosures" also recommended by the CAAP in the Model Disclosure Elements document:

- A "Deterministic Stress Test," projecting future results under different investment income scenarios
- A "Sensitivity Analysis," showing the impact on current valuation results using a 1 percent plus or minus change in the discount rate.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contribution

	Fiscal Year 2014-15	Fiscal Year 2015-16
Actuarially Determined Employer Contributions		
1. Contribution in Projected Dollars		
a) Total Normal Cost	$ 13,091,000	$ 11,410,390
b) Employee Contribution[1]	4,342,755	3,803,323
c) Employer Normal Cost [(1a) – (1b)]	8,748,245	7,607,067
d) Unfunded Liability Contribution	7,546,169	8,745,304
e) Required Employer Contribution [(1c) + (1d)]	$ 16,294,414	$ 16,352,371
Projected Annual Payroll for Contribution Year	$ 48,258,194	$ 42,137,412
2. Contribution as a Percentage of Payroll		
a) Total Normal Cost	27.127%	27.079%
b) Employee Contribution[1]	8.999%	9.026%
c) Employer Normal Cost [(2a) – (2b)]	18.128%	18.053%
d) Unfunded Liability Rate	15.637%	20.754%
e) Required Employer Rate [(2c) + (2d)]	33.765%	38.807%
Minimum Employer Contribution Rate[2]	**33.765%**	**38.807%**
Annual Lump Sum Prepayment Option[3]	$ 15,715,728	$ 15,771,627

[1]For classic members this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

[2]The Minimum Employer Contribution Rate under PEPRA is the greater of the required employer rate or the employer normal cost.

[3]Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30. If there is contractual cost sharing or other change, this amount will change.

Plan's Funded Status

	June 30, 2012	June 30, 2013
1. Present Value of Projected Benefits	$ 717,084,274	$ 721,849,589
2. Entry Age Normal Accrued Liability	614,962,254	633,088,050
3. Market Value of Assets (MVA)	$ 422,274,719	$ 463,930,661
4. Unfunded Liability [(2) – (3)]	$ 192,687,535	$ 169,157,389
5. Funded Ratio [(3) / (2)]	68.7%	73.3%
Superfunded Status	No	No

Cost

Actuarial Cost Estimates in General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, actuarial calculations, including the ones in this report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long-term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5 percent for the past twenty year period ending June 30, 2013, returns for each fiscal year ranged from negative -24 percent to +21.7 percent.

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces.

- The Normal Cost (i.e., the annual cost associated with one year of service accrual) expressed as a percentage of total active payroll.
- The Past Service Cost or Accrued Liability (i.e., the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the employer rate will vary depending on the amortization period chosen.

Changes since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" and Appendix B for a summary of the plan provisions used in this valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on your employer contribution rate is shown in the "Reconciliation of Required Employer Contributions." It should be noted that no change in liability or rate is shown for any plan changes, which were already included in the prior year's valuation.

Actuarial Methods and Assumptions

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and rate smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate phased in over a 5-year period.

A change in the calculation of termination with vested benefits liability for active members was made this year to better reflect the retirement experience. After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54 rather than at earliest retirement age. The higher benefit factors at these ages results in a slightly higher liability and a modest increase in normal cost.

Public Employees' Pension Reform Act of 2013 (PEPRA)

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect, requiring 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. Beginning July 1, 2013, this means that some plans with surplus will be paying more than they otherwise would. For more information on PEPRA, please refer to the CalPERS website.

Subsequent Events

Actuarial Methods and Assumptions

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns (see Risk Analysis section of report). The adopted asset allocation is expected to have a long- term blended return that continues to support a discount rate assumption of 7.5 percent.

The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy. The impact of assumption changes are included in the "Expected Rate Increases" subsection of the "Risk Analysis" section.

As disclosed in the previous valuation, the City of San Bernardino did not remit its full contributions for the fiscal year 2012-13. The principal amount of payments required to be made to CalPERS by the City during fiscal year 2012/2013 and which were not made by the City during that time was approximately $13.5 million for all of the City's plans (Miscellaneous and Safety) combined, excluding interest, penalties, late fees, costs of collection and the like. As a result, the outstanding principal amount of unpaid contributions of approximately $9.6 million has been reflected as a receivable in the market value of assets at June 30, 2013 for the City's Safety Plan. This amount excludes interest, penalties, late fees, costs of collection and the like. During fiscal year 2013/2014, as part of a confidential court-ordered mediation process, the City and CalPERS reached an agreement regarding various items. While the terms of this agreement remain confidential, since reaching the agreement, the City has made certain partial payments with respect to the deferred amounts owing.

ASSETS

- **RECONCILIATION OF THE MARKET VALUE OF ASSETS**
- **ASSET ALLOCATION**
- **CALPERS HISTORY OF INVESTMENT RETURNS**

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Reconciliation of the Market Value of Assets

1.	Market Value of Assets as of 6/30/12 Including Receivables	$	422,274,719
2.	Receivables for Service Buybacks as of 6/30/12		537,338
3.	Market Value of Assets as of 6/30/12		421,737,381
4.	Employer Contributions		7,572,118
5.	Employee Contributions		3,613,357
6.	Benefit Payments to Retirees and Beneficiaries		(32,032,136)
7.	Refunds		(18,510)
8.	Lump Sum Payments		0
9.	Transfers and Miscellaneous Adjustments		27,160
10.	Investment Return		52,641,964
11.	Market Value of Assets as of 6/30/13	$	453,541,334
12.	Receivables as of 6/30/13*		10,389,327
13.	Market Value of Assets as of 6/30/13 Including Receivables	$	463,930,661

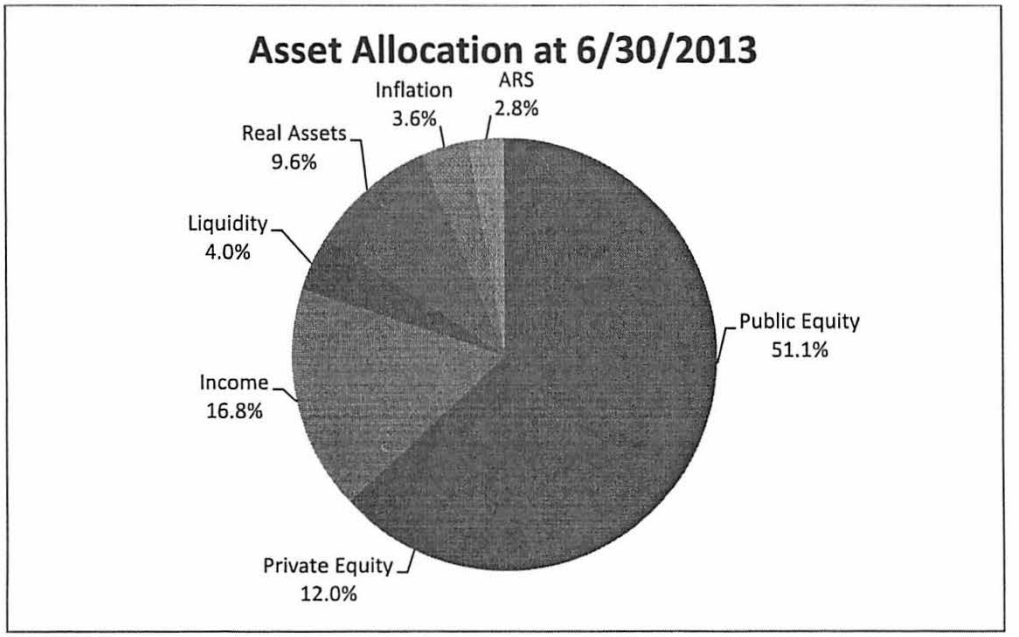
* Includes service buybacks and employer contribution due

Asset Allocation

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. CalPERS recognizes that over 90 percent of the variation in investment returns of a well-diversified pool of assets can typically be attributed to asset allocation decisions. On February 19, 2014 the CalPERS Board of Administration adopted changes to the current asset allocation as shown in the Policy Target Allocation below expressed as percentage of total assets. The asset allocation is has an expected long term blended rate of return of 7.5 percent.

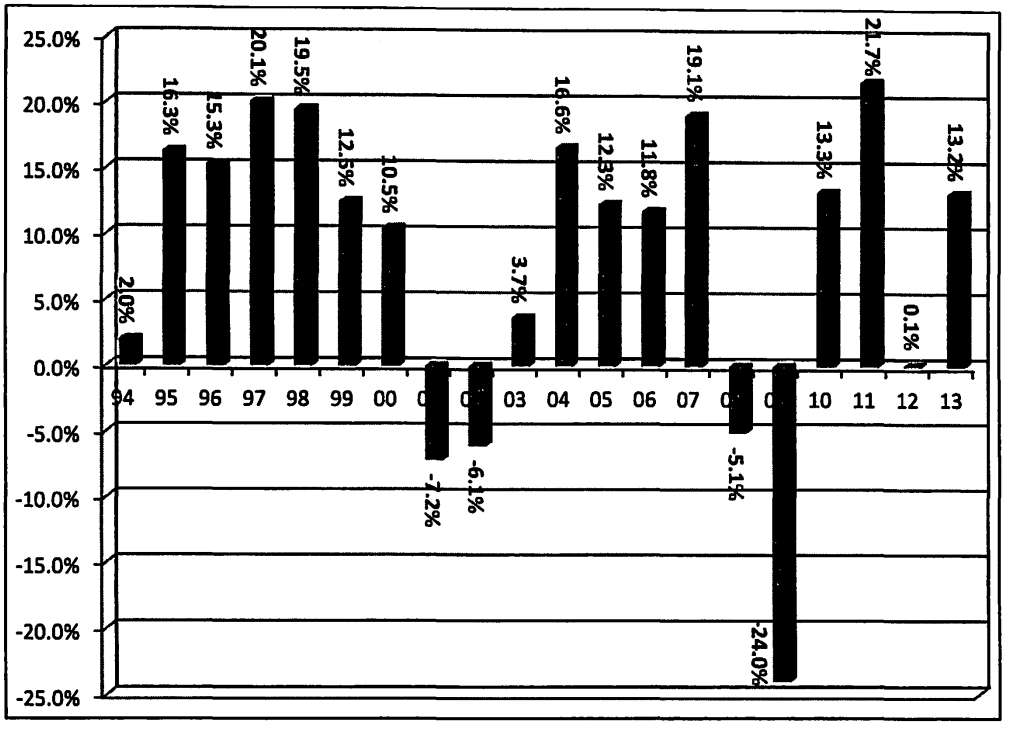
The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirety as of June 30, 2013. The assets for CITY OF SAN BERNARDINO SAFETY PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value ($ Billion)	(C) Policy Target Allocation
1) Global Equity	133.4	47.0%
2) Private Equity	31.4	12.0%
3) Global Fixed Income	43.9	19.0%
4) Liquidity	10.5	2.0%
5) Real Assets	25.2	14.0%
6) Inflation Sensitive Assets	9.4	6.0%
7) Absolute Return Strategy (ARS)	7.2	0.0%
Total Fund	**$261.0**	**100.0%**



CalPERS History of Investment Returns

The following is a chart with the 20-year historical annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30. Beginning in 2002, the figures are reported as gross of fees.



The table below shows historical geometric mean annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30, 2013, (figures are reported as gross of fees). The geometric mean rate of return is the average rate per period compounded over multiple periods. It should be recognized that in any given year the rate of return is volatile. Although the expected rate of return on the recently adopted new asset allocation is 7.5 percent the portfolio has an expected volatility of 11.76 percent per year. Consequently when looking at investment returns it is more instructive to look at returns over longer time horizons.

History of CalPERS Geometric Mean Rates of Return and Volatilities					
	1 year	5 year	10 year	20 year	30 year
Geometric Return	13.2%	3.5%	7.0%	7.6%	9.4%
Volatility	–	17.9%	13.9%	11.8%	11.6%

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LIABILITIES AND RATES

- **DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES**
- **(GAIN) / LOSS ANALYSIS 06/30/12 - 06/30/13**
- **SCHEDULE OF AMORTIZATION BASES**
- **ALTERNATE AMORTIZATION SCHEDULES**
- **RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS**
- **EMPLOYER CONTRIBUTION RATE HISTORY**
- **FUNDING HISTORY**

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Development of Accrued and Unfunded Liabilities

1.	Present Value of Projected Benefits		
	a) Active Members	$	274,224,141
	b) Transferred Members		13,181,569
	c) Terminated Members		4,014,059
	d) Members and Beneficiaries Receiving Payments		430,429,820
	e) Total	$	721,849,589
2.	Present Value of Future Employer Normal Costs	$	58,643,968
3.	Present Value of Future Employee Contributions	$	30,117,571
4.	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]	$	185,462,602
	b) Transferred Members (1b)		13,181,569
	c) Terminated Members (1c)		4,014,059
	d) Members and Beneficiaries Receiving Payments (1d)		430,429,820
	e) Total	$	633,088,050
5.	Market Value of Assets (MVA)	$	463,930,661
6.	Unfunded Liability [(4e) - (5)]	$	169,157,389
7.	Funded Ratio [(5) / (4e)]		73.3%

(Gain) /Loss Analysis 6/30/12 – 6/30/13

To calculate the cost requirements of the plan, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is compared to the expected experience based on the actuarial assumptions. This results in actuarial gains or losses, as shown below.

A	**Total (Gain)/Loss for the Year**			
	1.	Unfunded Accrued Liability (UAL) as of 6/30/12	$	108,721,898
	2.	Expected Payment on the UAL during 2012/2013		5,453,099
	3.	Interest through 6/30/13 [.075 x (A1) - ((1.075)^{½} - 1) x (A2)]		7,953,348
	4.	Expected UAL before all other changes [(A1) - (A2) + (A3)]		111,222,147
	5.	Change due to plan changes		0
	6.	Change due to assumption change		0
	7.	Expected UAL after all other changes [(A4) + (A5) + (A6)]		111,222,147
	8.	Actual UAL as of 6/30/13		169,157,389
	9.	Total (Gain)/Loss for 2012/2013 [(A8) - (A7)]	$	57,935,242
B	**Contribution (Gain)/Loss for the Year**			
	1.	Expected Contribution (Employer and Employee)	$	17,792,167
	2.	Interest on Expected Contributions		655,144
	3.	Actual Contributions		11,185,475
	4.	Interest on Actual Contributions		411,872
	5.	Expected Contributions with Interest [(B1) + (B2)]		18,447,311
	6.	Actual Contributions with Interest [(B3) + (B4)]		11,597,347
	7.	Contribution (Gain)/Loss [(B5) - (B6)]	$	6,849,964
C	**Asset (Gain)/Loss for the Year**			
	1.	Actuarial Value of Assets as of 6/30/12 Including Receivables	$	506,240,356
	2.	Receivables as of 6/30/12		537,338
	3.	Actuarial Value of Assets as of 6/30/12		505,703,018
	4.	Contributions Received		11,185,475
	5.	Benefits and Refunds Paid		(32,050,646)
	6.	Transfers and miscellaneous adjustments		27,160
	7.	Expected Int. [.075 x (C3) + ((1.075)^{½} - 1) x ((C4) + (C5) + (C6))]		37,160,428
	8.	Expected Assets as of 6/30/13 [(C3) + (C4) + (C5) + (C6) + (C7)]		522,025,435
	9.	Receivables as of 6/30/13		10,389,327
	10.	Expected Assets Including Receivables		532,414,762
	11.	Market Value of Assets as of 6/30/13		463,930,661
	12.	Asset (Gain)/Loss [(C10) - (C11)]	$	68,484,101
D	**Liability (Gain)/Loss for the Year**			
	1.	Total (Gain)/Loss (A9)	$	57,935,242
	2.	Contribution (Gain)/Loss (B7)		6,849,964
	3.	Asset (Gain)/Loss (C12)		68,484,101
	4.	Liability (Gain)/Loss [(D1) - (D2) - (D3)]	$	(17,398,823)

Schedule of Amortization Bases

There is a two-year lag between the Valuation Date and the Contribution Fiscal Year.

- The assets, liabilities and funded status of the plan are measured as of the valuation date; June 30, 2013.
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date; fiscal year 2015-16.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution rates well in advance of the start of the fiscal year.

The Unfunded Liability is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The Unfunded Liability is rolled forward each year by subtracting the expected Payment on the Unfunded Liability for the fiscal year and adjusting for interest. The Expected Payment on the Unfunded Liability for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution Rate for the first fiscal year is determined by the actuarial valuation two years ago and the rate for the second year is from the actuarial valuation one year ago. The Normal Cost Rate for each of the two fiscal years is assumed to be the same as the rate determined by the current valuation. All expected dollar amounts are determined by multiplying the rate by the expected payroll for the applicable fiscal year, based on payroll as of the valuation date.

								Amounts for Fiscal 2015-16	
Reason for Base	Date Established	Amortization Period	Balance 6/30/13	Expected Payment 2013-14	Balance 6/30/14	Expected Payment 2014-15	Balance 6/30/15	Scheduled Payment for 2015-16	Payment as Percentage of Payroll
BENEFIT CHANGE	06/30/06	23	$23,003,143	$1,520,380	$23,152,015	$1,565,991	$23,264,762	$1,612,971	3.828%
FRESH START	06/30/06	23	$(1,379,742)	$(91,193)	$(1,388,672)	$(93,929)	$(1,395,434)	$(96,747)	(0.230%)
ASSUMPTION CHANGE	06/30/09	16	$13,017,707	$1,052,413	$12,902,870	$1,083,986	$12,746,685	$1,116,505	2.650%
SPECIAL (GAIN)/LOSS	06/30/09	26	$16,656,931	$1,035,731	$16,832,332	$1,066,803	$16,988,672	$1,098,807	2.608%
SPECIAL (GAIN)/LOSS	06/30/10	27	$2,818,344	$172,128	$2,851,254	$177,292	$2,881,278	$182,610	0.433%
ASSUMPTION CHANGE	06/30/11	18	$11,724,180	$295,080	$12,297,548	$959,540	$12,224,991	$988,327	2.345%
SPECIAL (GAIN)/LOSS	06/30/11	28	$(2,297,809)	$(137,985)	$(2,327,079)	$(142,124)	$(2,354,253)	$(146,388)	(0.347%)
PAYMENT (GAIN)/LOSS	06/30/12	29	$(58,624,860)	$(3,588,603)	$(59,300,982)	$(3,561,055)	$(60,056,375)	$(3,667,887)	(8.705%)
(GAIN)/LOSS	06/30/12	29	$106,304,254	$5,986,566	$108,070,069	$6,489,665	$109,446,696	$6,684,355	15.863%
(GAIN)/LOSS	06/30/13	30	$57,935,241	$(931,763)	$63,246,457	$(1,129,418)	$69,160,947	$972,751	2.309%
TOTAL			**$169,157,389**	**$5,312,754**	**$176,335,812**	**$6,416,751**	**$182,907,969**	**$8,745,304**	**20.754%**

Alternate Amortization Schedules

The amortization schedule shown on the previous page shows the minimum contributions required according to CalPERS amortization policy. There has been considerable interest from many agencies in paying off these unfunded accrued liabilities sooner and the passible savings in doing so. Therefore, we have provided alternate amortization schedules to help analyze your current amortization schedule and illustrate the advantages of accelerating payments towards your plan's unfunded liability of $182,907,969 as of June 30, 2015, which under the minimum schedule, will require total payments of $473,871,162. Shown below are the level rate payments required to amortize your plan's unfunded liability assuming a fresh start over the various periods noted. Note that the payments under each scenario would increase by 3 percent for each year into the future.

Level Rate of Payroll Amortization

Period	2015-16 Rate	2015-16 Payment	Total Payments	Total Interest	Difference from Current Schedule
25	28.690%	$ 12,089,199	$ 440,763,303	$ 257,855,334	$ 33,107,859
20	32.775%	$ 13,810,544	$ 371,094,501	$ 188,186,532	$ 102,776,661

If you are interested in changing your plan's amortization schedule please contact your plan actuary to discuss further.

Reconciliation of Required Employer Contributions

	Percentage of Projected Payroll	Estimated $ Based on Projected Payroll
1. Contribution for 7/1/14 – 6/30/15	33.765%	$ 16,294,414
2. Effect of changes since the prior year annual valuation		
a) Effect of unexpected changes in demographics and financial results	5.042%	2,124,639
b) Effect of plan changes	0.000%	0
c) Effect of changes in Assumptions	0.000%	0
d) Effect of change in payroll	-	(2,066,682)
e) Effect of elimination of amortization base	0.000%	0
f) Effect of changes due to Fresh Start	0.000%	0
g) Net effect of the changes above [Sum of (a) through (f)]	5.042%	57,957
3. Contribution for 7/1/15 – 6/30/16 [(1)+(2g)]	38.807%	16,352,371

The contribution actually paid (item 1) may be different if a prepayment of unfunded actuarial liability is made or a plan change became effective after the prior year's actuarial valuation was performed.

Employer Contribution Rate History

The table below provides a recent history of the employer contribution rates for your plan, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made in the middle of the year.

Required By Valuation

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2010 - 2011	16.443%	6.662%	23.105%
2011 - 2012	17.836%	10.441%	28.277%
2012 - 2013	18.753%	11.362%	30.115%
2013 - 2014	18.978%	12.477%	31.455%
2014 - 2015	18.128%	15.637%	33.765%
2015 - 2016	18.053%	20.754%	38.807%

Funding History

The Funding History below shows the recent history of the actuarial accrued liability, the market value of assets, the funded ratio and the annual covered payroll.

Valuation Date	Accrued Liability	Market Value of Assets (MVA)	Funded Ratio	Annual Covered Payroll
06/30/08	$ 482,223,684	$ 437,394,235	90.7%	$ 48,291,670
06/30/09	527,185,390	326,594,622	62.0%	48,800,309
06/30/10	552,315,658	365,168,986	66.1%	48,003,875
06/30/11	587,024,662	434,463,501	74.0%	46,292,746
06/30/12	614,962,254	422,274,719	68.7%	44,163,084
06/30/13	633,088,050	463,930,661	73.3%	38,561,701

RISK ANALYSIS

- **VOLATILITY RATIOS**
- **PROJECTED RATES**
- **ANALYSIS OF FUTURE INVESTMENT RETURN SCENARIOS**
- **ANALYSIS OF DISCOUNT RATE SENSITIVITY**
- **HYPOTHETICAL TERMINATION LIABILITY**

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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 are called actuarial gains and losses and 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 (AVR)

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 (LVR)

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.

Rate Volatility		As of June 30, 2013
1. Market Value of Assets without Receivables	$	453,541,334
2. Payroll		38,561,701
3. Asset Volatility Ratio (AVR = 1. / 2.)		11.8
4. Accrued Liability	$	633,088,050
5. Liability Volatility Ratio (LVR = 4. / 2.)		16.4

Projected Rates

The estimated rate for 2016-17 is based on a projection of the most recent information we have available, including an estimated 18 percent investment return for fiscal 2013-14, the impact of the new smoothing methods adopted by the CalPERS Board in April 2013 that will impact employer rates for the first time in 2015-16 and an estimate of the impact of the new actuarial assumptions adopted by the CalPERS Board in February 2014. These new demographic assumptions include a 20-year projection of on-going mortality improvement. A complete listing of the new demographic assumptions to be implemented with the June 30, 2014 annual actuarial valuation and incorporated in the projected rates for FY 2016-17 and beyond can be found on the CalPERS website at: http://www.calpers.ca.gov/eip-docs/about/pubs/employer/actuarial-assumptions.xls

The table below shows projected employer contribution rates (before cost sharing) for the next five Fiscal Years, assuming CalPERS earns 18 percent for fiscal year 2013-14 and 7.50 percent every fiscal year thereafter, 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 2016-17.

	New Rate	Projected Future Employer Contribution Rates				
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Contribution Rates:	38.807%	42.3%	44.6%	47.0%	49.3%	49.3%

Analysis of Future Investment Return Scenarios

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long- term blended return that continues to support a discount rate assumption of 7.5 percent. The newly adopted asset allocation has a lower expected investment volatility which will result in better risk characteristics than an equivalent margin for adverse deviation. The current asset allocation has an expected standard deviation of 12.45 percent while the newly adopted asset allocation has a lower expected standard deviation of 11.76 percent.

The investment return for fiscal year 2013-14 was announced July 14, 2014. The investment return in fiscal year 2013-14 is 18.42 percent before administrative expenses. This year, there will be no adjustment for real estate and private equities. For purposes of projecting future employer rates, we are assuming an 18.0 percent investment return for fiscal year 2013-14.

The investment return realized during a fiscal year first affects the contribution rate for the fiscal year two years later. Specifically, the investment return for 2013-14 will first be reflected in the June 30, 2014 actuarial valuation that will be used to set the 2016-17 employer contribution rates, the 2014-15 investment return will first be reflected in the June 30, 2015 actuarial valuation that will be used to set the 2017-18 employer contribution rates and so forth.

Based on a 18 percent investment return for fiscal year 2013-14, the April 17, 2013 CalPERS Board-approved amortization and rate smoothing method change, the February 18, 2014 new demographic assumptions including 20-year mortality improvement using Scale BB 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 2016-17, the effect on the 2016-17 Employer Rate is as follows:

Estimated 2016-17 Employer Rate	Estimated Increase in Employer Rate between 2015-16 and 2016-17
42.3%	3.5%

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2014-15, 2015-16 and 2016-17 on the 2017-18, 2018-19 and 2019-20 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, 2014 through June 30, 2017. The 5th percentile return corresponds to a -3.8 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2014 through June 30, 2017. The 25th percentile return corresponds to a 2.8 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- The third scenario assumed the return for 2014-15, 2015-16, 2016-17 would be our assumed 7.5 percent investment return which represents about a 49th percentile event.
- The fourth scenario is what one would expect if the markets were to give us a 75th percentile return from July 1, 2014 through June 30, 2017. The 75th percentile return corresponds to a 12.0 percent return for each of the 2014-15, 2015-16 and 2016-17 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, 2014 through June 30, 2017. The 95th percentile return corresponds to a 18.9 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.

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

2014-17 Investment Return Scenario	Estimated Employer Rate			Estimated Change in Employer Rate between 2016-17 and 2019-20
	2017-18	2018-19	2019-20	
-3.8% (5th percentile)	46.7%	53.0%	61.1%	18.8%
2.8% (25th percentile)	45.5%	49.5%	54.4%	12.1%
7.5%	44.6%	47.0%	49.3%	7.0%
12.0%(75th percentile)	43.8%	44.4%	44.1%	1.8%
18.9%(95th percentile)	42.5%	40.4%	35.5%	-6.8%

Analysis of Discount Rate Sensitivity

The following analysis looks at the 2015-16 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 analysis gives an indication of the potential required employer contribution rates if the PERF were to realize investment returns of 6.50 percent or 8.50 percent over the long-term.

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

	2015-16 Employer Contribution Rate		
As of June 30, 2013	6.50% Discount Rate (-1%)	7.50% Discount Rate (assumed rate)	8.50% Discount Rate (+1%)
Employer Normal Cost	25.264%	18.053%	12.602%
Accrued Liability	$ 716,670,971	$ 633,088,050	$ 564,317,641
Unfunded Accrued Liability	$ 252,740,310	$ 169,157,389	$ 100,386,980

Hypothetical Termination Liability

Below is an estimate of the financial position of your plan if you had terminated your contract with CalPERS as of June 30, 2013 using the discount rates shown below. Your plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For this hypothetical termination liability both compensation and service is frozen as of the valuation date and no future pay increases or service accruals are included. In December 2012, the CalPERS Board adopted a more conservative investment policy and asset allocation strategy for the Terminated Agency Pool. Since the Terminated Agency Pool has limited funding sources, expected benefit payments are secured by risk-free assets. With this change, CalPERS increased benefit security for members while limiting its funding risk. This asset allocation has a lower expected rate of return than the PERF. Consequently, the lower discount rate for the Terminated Agency pool results in higher liabilities for terminated plans.

In order to terminate your plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow your plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of your plan liabilities. CalPERS strongly advises you to consult with your plan actuary before beginning this process.

Valuation Date	Hypothetical Termination Liability[1]	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Termination Liability Discount Rate[2]
06/30/11	$ 875,558,211	$ 434,463,501	$ 441,094,710	49.6%	4.82%
06/30/12	1,185,788,115	422,274,719	763,513,396	35.6%	2.98%
06/30/13	1,075,461,248	463,930,661	611,530,587	43.1%	3.72%

[1] The hypothetical liabilities calculated above include a 7 percent mortality contingency load in accordance with Board policy. Other actuarial assumptions, such as wage and inflation assumptions, can be found in appendix A.

[2] The discount rate assumption used for termination valuations is a weighted average of the 10 and 30-year US Treasury yields in effect on the valuation date that equal the duration of the pension liabilities. For purposes of this hypothetical termination liability estimate, the discount rate used, is the yield on the 30-year US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS). Note that as of June 30, 2014 the 30-year STRIPS rate was 3.55 percent.

GASB STATEMENT NO. 27

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SAFETY PLAN of the CITY OF SAN BERNARDINO
Information for Compliance with GASB Statement No. 27

Disclosure under GASB 27 follows. However, note that effective for financial statements for fiscal years beginning after June 15, 2014, GASB 68 replaces GASB 27. This will be the last year that GASB disclosure information will be included in your annual actuarial report. GASB 68 will require additional reporting that CalPERS is intending to provide upon request for an additional fee. We urge you to start discussions with your auditors on how to implement GASB 68.

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). Since GASB 68 replaces GASB 27, for fiscal year 2015-16, the APC is replaced by the Actuarially Determined Contribution (ADC). The ADC for July 1, 2015 to June 30, 2016 is 38.807% percent of payroll. In order to calculate the dollar value of the ADC for inclusion in financial statements prepared as of June 30, 2016, this contribution rate, less any employee cost sharing, 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, 2015 to June 30, 2016. The employer and the employer's auditor are responsible for determining the NPO, APC or ADC for a given fiscal year.

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

	Retirement Program
Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year period with Direct Rate Smoothing with a 5-year ramp up/ramp down. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. 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.

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

Valuation Date	Accrued Liability (a)	Actuarial value of Assets* (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/09	$ 527,185,390	$ 445,548,777	$ 81,636,613	84.5%	$ 48,800,309	167.3%
06/30/10	552,315,658	464,836,411	87,479,247	84.2%	48,003,875	182.2%
06/30/11	587,024,662	487,333,253	99,691,409	83.0%	46,292,746	215.4%
06/30/12	614,962,254	506,240,356	108,721,898	82.3%	44,163,084	246.2%
06/30/13	633,088,050	463,930,661	169,157,389	73.3%	38,561,701	438.7%

* Beginning with the 6/30/2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

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PLAN'S MAJOR BENEFIT PROVISIONS

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Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in the following section of this Appendix.

	Contract Package						
Benefit Provision	Receiving	Receiving	Active Fire	Active Police	Active Fire	Active Police	Active Fire
Benefit Formula			3.0% @ 50	3.0% @ 50		3.0% @ 55	2.7% @ 57
Social Security Coverage			No	No	No	No	No
Full/Modified			Full	Full	Full	Full	Full
Final Average Compensation Period			12 mos.	12 mos.		12 mos.	36 mos.
Sick Leave Credit			No	No	No	No	No
Non-Industrial Disability			Standard	Standard		Standard	Standard
Industrial Disability			Yes	Yes	No	Yes	Yes
Pre-Retirement Death Benefits							
Optional Settlement 2W			No	No	No	No	No
1959 Survivor Benefit Level			Level 4	No	No	No	Level 4
Special			Yes	Yes	No	Yes	Yes
Alternate (firefighters)			No	No	No	No	No
Post-Retirement Death Benefits							
Lump Sum	$500	$500	$500	$500	$500	$500	$500
Survivor Allowance (PRSA)	Yes	Yes	Yes	Yes	No	Yes	Yes
COLA	2%	2%	2%	2%	2%	2%	2%

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in the following section of this Appendix.

	Contract Package	
Benefit Provision	Active Fire	
Benefit Formula	3.0% @ 55	
Social Security Coverage	No	
Full/Modified	Full	
Final Average Compensation Period	12 mos.	
Sick Leave Credit	No	
Non-Industrial Disability	Standard	
Industrial Disability	Yes	
Pre-Retirement Death Benefits		
Optional Settlement 2W	No	
1959 Survivor Benefit Level	Level 4	
Special	Yes	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$500	
Survivor Allowance (PRSA)	Yes	
COLA	2%	

APPENDICES

- **APPENDIX A – ACTUARIAL METHODS AND ASSUMPTIONS**
- **APPENDIX B – PRINCIPAL PLAN PROVISIONS**
- **APPENDIX C – PARTICIPANT DATA**
- **APPENDIX D – DEVELOPMENT OF PPERA MEMBER CONTRIBUTION RATES**
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APPENDIX A

ACTUARIAL METHODS AND ASSUMPTIONS

- **ACTUARIAL DATA**
- **ACTUARIAL METHODS**
- **ACTUARIAL ASSUMPTIONS**
- **MISCELLANEOUS**

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Actuarial Data

As stated in the Actuarial Certification, the data, which serves as the basis of this valuation, has been obtained from the various CalPERS databases. We have reviewed the valuation data and believe that it is reasonable and appropriate in aggregate. We are unaware of any potential data issues that would have a material effect on the results of this valuation, except that data does not always contain the latest salary information for former members now in reciprocal systems and does not recognize the potential for unusually large salary deviation in certain cases such as elected officials. Therefore, salary information in these cases may not be accurate. These situations are relatively infrequent, however, and when they do occur, they generally do not have a material impact on the employer contribution rates.

Actuarial Methods

Funding Method
The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. 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 as a level percentage of assumed future payrolls. Commencing with the June 30, 2013 valuation all new gains or losses are tracked and amortized over a fixed 30-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes), changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. Changes in unfunded accrued liability due to a Golden Handshake will be amortized over a period of 5 years. If a plan's accrued liability exceeds the market value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability. An exception has been made for the change in asset value from actuarial to market value in this valuation. The CalPERS Board approved a 30-year amortization with a 5-year ramp-up/ramp-down for only this change in method.

Additional contributions will be required for any plan or pool if their cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis to either:

- Increase by at least 15 percent by June 30, 2043; or
- Reach a level of 75 percent funded by June 30, 2043

The necessary additional contribution will be obtained by changing the amortization period of the gains and losses, except for those occurring in the fiscal years 2008-2009, 2009-2010, and 2010-2011 to a period, which will result in the satisfaction of the above criteria. CalPERS actuaries will reassess the criteria above when performing each future valuation to determine whether or not additional contributions are necessary.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases, a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. As mentioned above, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. However, in

the case of a 30-year fresh start, just the unfunded liability not already in the (gain)/loss base (which is already amortized over 30 years), will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

1) When a positive payment would be required on a negative unfunded actuarial liability (or conversely a negative payment on a positive unfunded actuarial liability); or

2) When there are excess assets, rather than an unfunded liability. In this situation, a 30-year fresh start is used, unless a longer fresh start is needed to avoid a negative total rate.

It should be noted that the actuary may choose to use a fresh start under other circumstances. In all cases, the fresh start period is set by the actuary at what is deemed appropriate; however, the period will not be less than five years, nor greater than 30 years.

Asset Valuation Method

It is the policy of the CalPERS Board of Administration to use professionally accepted amortization methods to eliminate unfunded accrued liabilities or surpluses in a manner that maintains benefit security for the members of the System while minimizing substantial variations in employer contribution rates. On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5 year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

Actuarial Assumptions

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy. 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/employer/2014-experience-study.pdf

Economic Assumptions

Discount Rate

7.5 percent compounded annually (net of expenses). This assumption is used for all plans.

Termination Liability Discount Rate

The discount rate used for termination valuation is a weighted average of the 10 and 30-year US Treasury yields in effect on the valuation date that equal the duration of the pension liabilities. For purposes of this hypothetical termination liability estimate, the discount rate used, 3.72 percent, is the yield on the 30-year US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS) as of June 30, 2013. Please note, as of June 30, 2014 the 30-year STRIPS yield was 3.55 percent.

Salary Growth

Annual increases vary by category, entry age, and duration of service. A sample of assumed increases are shown below.

Public Agency Miscellaneous

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1420	0.1240	0.0980
1	0.1190	0.1050	0.0850
2	0.1010	0.0910	0.0750
3	0.0880	0.0800	0.0670
4	0.0780	0.0710	0.0610
5	0.0700	0.0650	0.0560
10	0.0480	0.0460	0.0410
15	0.0430	0.0410	0.0360
20	0.0390	0.0370	0.0330
25	0.0360	0.0360	0.0330
30	0.0360	0.0360	0.0330

Salary Growth (continued)

Public Agency Fire

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1050	0.1050	0.1020
1	0.0950	0.0940	0.0850
2	0.0870	0.0830	0.0700
3	0.0800	0.0750	0.0600
4	0.0740	0.0680	0.0510
5	0.0690	0.0620	0.0450
10	0.0510	0.0460	0.0350
15	0.0410	0.0390	0.0340
20	0.0370	0.0360	0.0330
25	0.0350	0.0350	0.0330
30	0.0350	0.0350	0.0330

Public Agency Police

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1090	0.1090	0.1090
1	0.0930	0.0930	0.0930
2	0.0810	0.0810	0.0780
3	0.0720	0.0700	0.0640
4	0.0650	0.0610	0.0550
5	0.0590	0.0550	0.0480
10	0.0450	0.0420	0.0340
15	0.0410	0.0390	0.0330
20	0.0370	0.0360	0.0330
25	0.0350	0.0340	0.0330
30	0.0350	0.0340	0.0330

Public Agency County Peace Officers

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1290	0.1290	0.1290
1	0.1090	0.1060	0.1030
2	0.0940	0.0890	0.0840
3	0.0820	0.0770	0.0710
4	0.0730	0.0670	0.0610
5	0.0660	0.0600	0.0530
10	0.0460	0.0420	0.0380
15	0.0410	0.0380	0.0360
20	0.0370	0.0360	0.0340
25	0.0350	0.0340	0.0330
30	0.0350	0.0340	0.0330

	Schools		
Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1080	0.0960	0.0820
1	0.0940	0.0850	0.0740
2	0.0840	0.0770	0.0670
3	0.0750	0.0700	0.0620
4	0.0690	0.0640	0.0570
5	0.0630	0.0600	0.0530
10	0.0450	0.0440	0.0410
15	0.0390	0.0380	0.0350
20	0.0360	0.0350	0.0320
25	0.0340	0.0340	0.0320
30	0.0340	0.0340	0.0320

- The Miscellaneous salary scale is used for Local Prosecutors.
- The Police salary scale is used for Other Safety, Local Sheriff, and School Police.

Overall Payroll Growth
3.00 percent compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans.

Inflation
2.75 percent compounded annually. This assumption is used for all plans.

Non-valued Potential Additional Liabilities
The potential liability loss for a cost-of-living increase exceeding the 2.75 percent inflation assumption, and any potential liability loss from future member service purchases are not reflected in the valuation.

Miscellaneous Loading Factors

Credit for Unused Sick Leave
Total years of service is increased by 1 percent for those plans that have accepted the provision providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)
Total years of service is increased by the Employee Contribution Rate for those plans with the provision providing for the Conversion of Employer Paid Member Contributions (EPMC) during the final compensation period.

Norris Decision (Best Factors)
Employees hired prior to July 1, 1982 have projected benefit amounts increased in order to reflect the use of "Best Factors" in the calculation of optional benefit forms. This is due to a 1983 Supreme Court decision, known as the Norris decision, which required males and females to be treated equally in the determination of benefit amounts. Consequently, anyone already employed at that time is given the best possible conversion factor when optional benefits are determined. No loading is necessary for employees hired after July 1, 1982.

Termination Liability
The termination liabilities include a 7 percent contingency load. This load is for unforeseen improvements in mortality.

Demographic Assumptions

Pre-Retirement Mortality
Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial

death rates are used for Safety Plans (except for Local Prosecutor safety members where the corresponding Miscellaneous Plan does not have the Industrial Death Benefit).

	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
Age	Male	Female	Male and Female
20	0.00047	0.00016	0.00003
25	0.00050	0.00026	0.00007
30	0.00053	0.00036	0.00010
35	0.00067	0.00046	0.00012
40	0.00087	0.00065	0.00013
45	0.00120	0.00093	0.00014
50	0.00176	0.00126	0.00015
55	0.00260	0.00176	0.00016
60	0.00395	0.00266	0.00017
65	0.00608	0.00419	0.00018
70	0.00914	0.00649	0.00019
75	0.01220	0.00878	0.00020
80	0.01527	0.01108	0.00021

Miscellaneous Plans usually have Industrial Death rates set to zero unless the agency has specifically contracted for Industrial Death benefits. If so, each Non-Industrial Death rate shown above will be split into two components; 99 percent will become the Non-Industrial Death rate and 1 percent will become the Industrial Death rate.

Post-Retirement Mortality

Rates vary by age, type of retirement and gender. See sample rates in table below. These rates are used for all plans.

	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
Age	Male	Female	Male	Female	Male	Female
50	0.00239	0.00125	0.01632	0.01245	0.00443	0.00356
55	0.00474	0.00243	0.01936	0.01580	0.00563	0.00546
60	0.00720	0.00431	0.02293	0.01628	0.00777	0.00798
65	0.01069	0.00775	0.03174	0.01969	0.01388	0.01184
70	0.01675	0.01244	0.03870	0.03019	0.02236	0.01716
75	0.03080	0.02071	0.06001	0.03915	0.03585	0.02665
80	0.05270	0.03749	0.08388	0.05555	0.06926	0.04528
85	0.09775	0.07005	0.14035	0.09577	0.11799	0.08017
90	0.16747	0.12404	0.21554	0.14949	0.16575	0.13775
95	0.25659	0.21556	0.31025	0.23055	0.26108	0.23331
100	0.34551	0.31876	0.45905	0.37662	0.40918	0.35165
105	0.58527	0.56093	0.67923	0.61523	0.64127	0.60135
110	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

On February 19, 2014 the CalPERS Board adopted new recommended demographic assumption based on the most recent CalPERS Experience Study. These new actuarial assumptions will be implemented for the first time in the June 30, 2014 valuation. For purposes of the post-retirement mortality rates, the revised rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries.

Marital Status

For active members, a percentage who are married upon retirement is assumed according to member category as shown in the following table.

Member Category	Percent Married
Miscellaneous Member	85%
Local Police	90%
Local Fire	90%
Other Local Safety	90%
School Police	90%

Age of Spouse

It is assumed that female spouses are 3 years younger than male spouses. This assumption is used for all plans.

Terminated Members

It is assumed that terminated members refund immediately if non-vested. Terminated members who are vested are assumed to follow the same service retirement pattern as active members but with a load to reflect the expected higher rates of retirement, especially at lower ages. The following table shows the load factors that are applied to the service retirement assumption for active members to obtain the service retirement pattern for separated vested members:

Age	Load Factor
50	450%
51	250%
52 through 56	200%
57 through 60	150%
61 through 64	125%
65 and above	100% (no change)

Termination with Refund

Rates vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1742	0.1674	0.1606	0.1537	0.1468	0.1400
1	0.1545	0.1477	0.1409	0.1339	0.1271	0.1203
2	0.1348	0.1280	0.1212	0.1142	0.1074	0.1006
3	0.1151	0.1083	0.1015	0.0945	0.0877	0.0809
4	0.0954	0.0886	0.0818	0.0748	0.0680	0.0612
5	0.0212	0.0193	0.0174	0.0155	0.0136	0.0116
10	0.0138	0.0121	0.0104	0.0088	0.0071	0.0055
15	0.0060	0.0051	0.0042	0.0032	0.0023	0.0014
20	0.0037	0.0029	0.0021	0.0013	0.0005	0.0001
25	0.0017	0.0011	0.0005	0.0001	0.0001	0.0001
30	0.0005	0.0001	0.0001	0.0001	0.0001	0.0001
35	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
0	0.0710	0.1013	0.0997
1	0.0554	0.0636	0.0782
2	0.0398	0.0271	0.0566
3	0.0242	0.0258	0.0437
4	0.0218	0.0245	0.0414
5	0.0029	0.0086	0.0145
10	0.0009	0.0053	0.0089
15	0.0006	0.0027	0.0045
20	0.0005	0.0017	0.0020
25	0.0003	0.0012	0.0009
30	0.0003	0.0009	0.0006
35	0.0003	0.0009	0.0006

The Police Termination and Refund rates are also used for Public Agency Local Prosecutors, Other Safety, Local Sheriff and School Police.

Schools

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1730	0.1627	0.1525	0.1422	0.1319	0.1217
1	0.1585	0.1482	0.1379	0.1277	0.1174	0.1071
2	0.1440	0.1336	0.1234	0.1131	0.1028	0.0926
3	0.1295	0.1192	0.1089	0.0987	0.0884	0.0781
4	0.1149	0.1046	0.0944	0.0841	0.0738	0.0636
5	0.0278	0.0249	0.0221	0.0192	0.0164	0.0135
10	0.0172	0.0147	0.0122	0.0098	0.0074	0.0049
15	0.0115	0.0094	0.0074	0.0053	0.0032	0.0011
20	0.0073	0.0055	0.0038	0.0020	0.0002	0.0002
25	0.0037	0.0023	0.0010	0.0002	0.0002	0.0002
30	0.0015	0.0003	0.0002	0.0002	0.0002	0.0002
35	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002

Termination with Vested Benefits

Rates vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0656	0.0597	0.0537	0.0477	0.0418
10	0.0530	0.0466	0.0403	0.0339	0.0000
15	0.0443	0.0373	0.0305	0.0000	0.0000
20	0.0333	0.0261	0.0000	0.0000	0.0000
25	0.0212	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0163	0.0265
10	0.0061	0.0126	0.0204
15	0.0058	0.0082	0.0130
20	0.0053	0.0065	0.0074
25	0.0047	0.0058	0.0043
30	0.0045	0.0056	0.0030
35	0.0000	0.0000	0.0000

- When a member is eligible to retire, the termination with vested benefits probability is set to zero.
- After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54.
- The Police Termination with vested benefits rates are also used for Public Agency Local Prosecutors, Other Safety, Local Sheriff and School Police.

Schools

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0816	0.0733	0.0649	0.0566	0.0482
10	0.0629	0.0540	0.0450	0.0359	0.0000
15	0.0537	0.0440	0.0344	0.0000	0.0000
20	0.0420	0.0317	0.0000	0.0000	0.0000
25	0.0291	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

Non-Industrial (Not Job-Related) Disability

Rates vary by age and gender for Miscellaneous Plans. Rates vary by age and category for Safety Plans.

	Miscellaneous		Fire	Police	County Peace Officer	Schools	
Age	Male	Female	Male and Female	Male and Female	Male and Female	Male	Female
20	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
30	0.0002	0.0002	0.0001	0.0002	0.0001	0.0002	0.0001
35	0.0006	0.0009	0.0001	0.0003	0.0004	0.0006	0.0004
40	0.0015	0.0016	0.0001	0.0004	0.0007	0.0014	0.0009
45	0.0025	0.0024	0.0002	0.0005	0.0013	0.0028	0.0017
50	0.0033	0.0031	0.0005	0.0008	0.0018	0.0044	0.0030
55	0.0037	0.0031	0.0010	0.0013	0.0010	0.0049	0.0034
60	0.0038	0.0025	0.0015	0.0020	0.0006	0.0043	0.0024

- The Miscellaneous Non-Industrial Disability rates are used for Local Prosecutors.
- The Police Non-Industrial Disability rates are also used for Other Safety, Local Sheriff and School Police.

Industrial (Job-Related) Disability
Rates vary by age and category.

Age	Fire	Police	County Peace Officer
20	0.0002	0.0007	0.0003
25	0.0012	0.0032	0.0015
30	0.0025	0.0064	0.0031
35	0.0037	0.0097	0.0046
40	0.0049	0.0129	0.0063
45	0.0061	0.0161	0.0078
50	0.0074	0.0192	0.0101
55	0.0721	0.0668	0.0173
60	0.0721	0.0668	0.0173

- The Police Industrial Disability rates are also used for Local Sheriff and Other Safety.
- Fifty Percent of the Police Industrial Disability rates are used for School Police.
- One Percent of the Police Industrial Disability rates are used for Local Prosecutors.
- Normally, rates are zero for Miscellaneous Plans unless the agency has specifically contracted for Industrial Disability benefits. If so, each miscellaneous non-industrial disability rate will be split into two components: 50 percent will become the Non-Industrial Disability rate and 50 percent will become the Industrial Disability rate.

Service Retirement
Retirement rates vary by age, service, and formula, except for the safety ½ @ 55 and 2% @ 55 formulas, where retirement rates vary by age only.

Service Retirement

Public Agency Miscellaneous 1.5% @ 65

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.008	0.011	0.013	0.015	0.017	0.019
51	0.007	0.010	0.012	0.013	0.015	0.017
52	0.010	0.014	0.017	0.019	0.021	0.024
53	0.008	0.012	0.015	0.017	0.019	0.022
54	0.012	0.016	0.019	0.022	0.025	0.028
55	0.018	0.025	0.031	0.035	0.038	0.043
56	0.015	0.021	0.025	0.029	0.032	0.036
57	0.020	0.028	0.033	0.038	0.043	0.048
58	0.024	0.033	0.040	0.046	0.052	0.058
59	0.028	0.039	0.048	0.054	0.060	0.067
60	0.049	0.069	0.083	0.094	0.105	0.118
61	0.062	0.087	0.106	0.120	0.133	0.150
62	0.104	0.146	0.177	0.200	0.223	0.251
63	0.099	0.139	0.169	0.191	0.213	0.239
64	0.097	0.136	0.165	0.186	0.209	0.233
65	0.140	0.197	0.240	0.271	0.302	0.339
66	0.092	0.130	0.157	0.177	0.198	0.222
67	0.129	0.181	0.220	0.249	0.277	0.311
68	0.092	0.129	0.156	0.177	0.197	0.221
69	0.092	0.130	0.158	0.178	0.199	0.224
70	0.103	0.144	0.175	0.198	0.221	0.248

Public Agency Miscellaneous 2% @ 60

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.011	0.015	0.018	0.021	0.023	0.026
51	0.009	0.013	0.016	0.018	0.020	0.023
52	0.013	0.018	0.022	0.025	0.028	0.031
53	0.011	0.016	0.019	0.022	0.025	0.028
54	0.015	0.021	0.025	0.028	0.032	0.036
55	0.023	0.032	0.039	0.044	0.049	0.055
56	0.019	0.027	0.032	0.037	0.041	0.046
57	0.025	0.035	0.042	0.048	0.054	0.060
58	0.030	0.042	0.051	0.058	0.065	0.073
59	0.035	0.049	0.060	0.068	0.076	0.085
60	0.062	0.087	0.105	0.119	0.133	0.149
61	0.079	0.110	0.134	0.152	0.169	0.190
62	0.132	0.186	0.225	0.255	0.284	0.319
63	0.126	0.178	0.216	0.244	0.272	0.305
64	0.122	0.171	0.207	0.234	0.262	0.293
65	0.173	0.243	0.296	0.334	0.373	0.418
66	0.114	0.160	0.194	0.219	0.245	0.274
67	0.159	0.223	0.271	0.307	0.342	0.384
68	0.113	0.159	0.193	0.218	0.243	0.273
69	0.114	0.161	0.195	0.220	0.246	0.276
70	0.127	0.178	0.216	0.244	0.273	0.306

Service Retirement

Public Agency Miscellaneous 2% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.015	0.020	0.024	0.029	0.033	0.039
51	0.013	0.016	0.020	0.024	0.027	0.033
52	0.014	0.018	0.022	0.027	0.030	0.036
53	0.017	0.022	0.027	0.032	0.037	0.043
54	0.027	0.034	0.041	0.049	0.056	0.067
55	0.050	0.064	0.078	0.094	0.107	0.127
56	0.045	0.057	0.069	0.083	0.095	0.113
57	0.048	0.061	0.074	0.090	0.102	0.122
58	0.052	0.066	0.080	0.097	0.110	0.131
59	0.060	0.076	0.092	0.111	0.127	0.151
60	0.072	0.092	0.112	0.134	0.153	0.182
61	0.089	0.113	0.137	0.165	0.188	0.224
62	0.128	0.162	0.197	0.237	0.270	0.322
63	0.129	0.164	0.199	0.239	0.273	0.325
64	0.116	0.148	0.180	0.216	0.247	0.294
65	0.174	0.221	0.269	0.323	0.369	0.439
66	0.135	0.171	0.208	0.250	0.285	0.340
67	0.133	0.169	0.206	0.247	0.282	0.336
68	0.118	0.150	0.182	0.219	0.250	0.297
69	0.116	0.147	0.179	0.215	0.246	0.293
70	0.138	0.176	0.214	0.257	0.293	0.349

Public Agency Miscellaneous 2.5% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.026	0.033	0.040	0.048	0.055	0.062
51	0.021	0.026	0.032	0.038	0.043	0.049
52	0.021	0.026	0.032	0.038	0.043	0.049
53	0.026	0.033	0.040	0.048	0.055	0.062
54	0.043	0.054	0.066	0.078	0.089	0.101
55	0.088	0.112	0.136	0.160	0.184	0.208
56	0.055	0.070	0.085	0.100	0.115	0.130
57	0.061	0.077	0.094	0.110	0.127	0.143
58	0.072	0.091	0.111	0.130	0.150	0.169
59	0.083	0.105	0.128	0.150	0.173	0.195
60	0.088	0.112	0.136	0.160	0.184	0.208
61	0.083	0.105	0.128	0.150	0.173	0.195
62	0.121	0.154	0.187	0.220	0.253	0.286
63	0.105	0.133	0.162	0.190	0.219	0.247
64	0.105	0.133	0.162	0.190	0.219	0.247
65	0.143	0.182	0.221	0.260	0.299	0.338
66	0.105	0.133	0.162	0.190	0.219	0.247
67	0.105	0.133	0.162	0.190	0.219	0.247
68	0.105	0.133	0.162	0.190	0.219	0.247
69	0.105	0.133	0.162	0.190	0.219	0.247
70	0.125	0.160	0.194	0.228	0.262	0.296

Service Retirement

Public Agency Miscellaneous 2.7% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.028	0.035	0.043	0.050	0.058	0.065
51	0.022	0.028	0.034	0.040	0.046	0.052
52	0.022	0.028	0.034	0.040	0.046	0.052
53	0.028	0.035	0.043	0.050	0.058	0.065
54	0.044	0.056	0.068	0.080	0.092	0.104
55	0.091	0.116	0.140	0.165	0.190	0.215
56	0.061	0.077	0.094	0.110	0.127	0.143
57	0.063	0.081	0.098	0.115	0.132	0.150
58	0.074	0.095	0.115	0.135	0.155	0.176
59	0.083	0.105	0.128	0.150	0.173	0.195
60	0.088	0.112	0.136	0.160	0.184	0.208
61	0.085	0.109	0.132	0.155	0.178	0.202
62	0.124	0.158	0.191	0.225	0.259	0.293
63	0.107	0.137	0.166	0.195	0.224	0.254
64	0.107	0.137	0.166	0.195	0.224	0.254
65	0.146	0.186	0.225	0.265	0.305	0.345
66	0.107	0.137	0.166	0.195	0.224	0.254
67	0.107	0.137	0.166	0.195	0.224	0.254
68	0.107	0.137	0.166	0.195	0.224	0.254
69	0.107	0.137	0.166	0.195	0.224	0.254
70	0.129	0.164	0.199	0.234	0.269	0.304

Public Agency Miscellaneous 3% @ 60

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.026	0.033	0.040	0.048	0.055	0.062
51	0.021	0.026	0.032	0.038	0.043	0.049
52	0.019	0.025	0.030	0.035	0.040	0.046
53	0.025	0.032	0.038	0.045	0.052	0.059
54	0.039	0.049	0.060	0.070	0.081	0.091
55	0.083	0.105	0.128	0.150	0.173	0.195
56	0.055	0.070	0.085	0.100	0.115	0.130
57	0.061	0.077	0.094	0.110	0.127	0.143
58	0.072	0.091	0.111	0.130	0.150	0.169
59	0.080	0.102	0.123	0.145	0.167	0.189
60	0.094	0.119	0.145	0.170	0.196	0.221
61	0.088	0.112	0.136	0.160	0.184	0.208
62	0.127	0.161	0.196	0.230	0.265	0.299
63	0.110	0.140	0.170	0.200	0.230	0.260
64	0.110	0.140	0.170	0.200	0.230	0.260
65	0.149	0.189	0.230	0.270	0.311	0.351
66	0.110	0.140	0.170	0.200	0.230	0.260
67	0.110	0.140	0.170	0.200	0.230	0.260
68	0.110	0.140	0.170	0.200	0.230	0.260
69	0.110	0.140	0.170	0.200	0.230	0.260
70	0.132	0.168	0.204	0.240	0.276	0.312

Service Retirement

Public Agency Miscellaneous 2% @ 62

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
51	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
52	0.0103	0.0132	0.0160	0.0188	0.0216	0.0244
53	0.0131	0.0167	0.0202	0.0238	0.0273	0.0309
54	0.0213	0.0272	0.0330	0.0388	0.0446	0.0504
55	0.0440	0.0560	0.0680	0.0800	0.0920	0.1040
56	0.0303	0.0385	0.0468	0.0550	0.0633	0.0715
57	0.0363	0.0462	0.0561	0.0660	0.0759	0.0858
58	0.00465	0.0592	0.0718	0.0845	0.0972	0.1099
59	0.0578	0.0735	0.0893	0.1050	0.1208	0.1365
60	0.0616	0.0784	0.0952	0.1120	0.1288	0.1456
61	0.0888	0.0788	0.0956	0.1125	0.1294	0.1463
62	0.0941	0.1232	0.1496	0.1760	0.2024	0.2288
63	0.1287	0.1131	0.1373	0.1615	0.1857	0.2100
64	0.1045	0.1197	0.1454	0.1710	0.1967	0.2223
65	0.1045	0.1638	0.1989	0.2340	0.2691	0.3042
66	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
67	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
68	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
69	0.1045	0.1330	0.1615	0.1900	0.2185	0.2470
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.9640

Service Retirement

Public Agency Fire ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.01588	56	0.11079
51	0.00000	57	0.00000
52	0.03442	58	0.09499
53	0.01990	59	0.04409
54	0.04132	60	1.00000
55	0.07513		

Public Agency Police ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.02552	56	0.06921
51	0.00000	57	0.05113
52	0.01637	58	0.07241
53	0.02717	59	0.07043
54	0.00949	60	1.00000
55	0.16674		

Service Retirement

Public Agency Police 2% @ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.014	0.014	0.014	0.014	0.025	0.045
51	0.012	0.012	0.012	0.012	0.023	0.040
52	0.026	0.026	0.026	0.026	0.048	0.086
53	0.052	0.052	0.052	0.052	0.096	0.171
54	0.070	0.070	0.070	0.070	0.128	0.227
55	0.090	0.090	0.090	0.090	0.165	0.293
56	0.064	0.064	0.064	0.064	0.117	0.208
57	0.071	0.071	0.071	0.071	0.130	0.232
58	0.063	0.063	0.063	0.063	0.115	0.205
59	0.140	0.140	0.140	0.140	0.174	0.254
60	0.140	0.140	0.140	0.140	0.172	0.251
61	0.140	0.140	0.140	0.140	0.172	0.251
62	0.140	0.140	0.140	0.140	0.172	0.251
63	0.140	0.140	0.140	0.140	0.172	0.251
64	0.140	0.140	0.140	0.140	0.172	0.251
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police and Other Safety.

Service Retirement

Public Agency Fire 2% @ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.007	0.007	0.007	0.007	0.010	0.015
51	0.008	0.008	0.008	0.008	0.013	0.019
52	0.017	0.017	0.017	0.017	0.027	0.040
53	0.047	0.047	0.047	0.047	0.072	0.107
54	0.064	0.064	0.064	0.064	0.098	0.147
55	0.087	0.087	0.087	0.087	0.134	0.200
56	0.078	0.078	0.078	0.078	0.120	0.180
57	0.090	0.090	0.090	0.090	0.139	0.208
58	0.079	0.079	0.079	0.079	0.122	0.182
59	0.073	0.073	0.073	0.073	0.112	0.168
60	0.114	0.114	0.114	0.114	0.175	0.262
61	0.114	0.114	0.114	0.114	0.175	0.262
62	0.114	0.114	0.114	0.114	0.175	0.262
63	0.114	0.114	0.114	0.114	0.175	0.262
64	0.114	0.114	0.114	0.114	0.175	0.262
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 3% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.019	0.019	0.019	0.019	0.040	0.060
51	0.024	0.024	0.024	0.024	0.049	0.074
52	0.024	0.024	0.024	0.024	0.051	0.077
53	0.059	0.059	0.059	0.059	0.121	0.183
54	0.069	0.069	0.069	0.069	0.142	0.215
55	0.116	0.116	0.116	0.116	0.240	0.363
56	0.076	0.076	0.076	0.076	0.156	0.236
57	0.058	0.058	0.058	0.058	0.120	0.181
58	0.076	0.076	0.076	0.076	0.157	0.237
59	0.094	0.094	0.094	0.094	0.193	0.292
60	0.141	0.141	0.141	0.141	0.290	0.438
61	0.094	0.094	0.094	0.094	0.193	0.292
62	0.118	0.118	0.118	0.118	0.241	0.365
63	0.094	0.094	0.094	0.094	0.193	0.292
64	0.094	0.094	0.094	0.094	0.193	0.292
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police and Other Safety.

Service Retirement

Public Agency Fire 3% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.012	0.012	0.012	0.018	0.028	0.033
51	0.008	0.008	0.008	0.012	0.019	0.022
52	0.018	0.018	0.018	0.027	0.042	0.050
53	0.043	0.043	0.043	0.062	0.098	0.114
54	0.057	0.057	0.057	0.083	0.131	0.152
55	0.092	0.092	0.092	0.134	0.211	0.246
56	0.081	0.081	0.081	0.118	0.187	0.218
57	0.100	0.100	0.100	0.146	0.230	0.268
58	0.081	0.081	0.081	0.119	0.187	0.219
59	0.078	0.078	0.078	0.113	0.178	0.208
60	0.117	0.117	0.117	0.170	0.267	0.312
61	0.078	0.078	0.078	0.113	0.178	0.208
62	0.098	0.098	0.098	0.141	0.223	0.260
63	0.078	0.078	0.078	0.113	0.178	0.208
64	0.078	0.078	0.078	0.113	0.178	0.208
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 2% @ 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0110	0.0110	0.0110	0.0110	0.0202	0.0361
51	0.0086	0.0086	0.0086	0.0086	0.0158	0.0281
52	0.0183	0.0183	0.0183	0.0183	0.0336	0.0599
53	0.0366	0.0366	0.0366	0.0366	0.0670	0.1194
54	0.0488	0.0488	0.0488	0.0488	0.0893	0.1592
55	0.0629	0.0629	0.0629	0.0629	0.1152	0.2052
56	0.0447	0.0447	0.0447	0.0447	0.0816	0.1455
57	0.0640	0.0640	0.0640	0.0640	0.1170	0.2086
58	0.0471	0.0471	0.0471	0.0471	0.0862	0.1537
59	0.1047	0.1047	0.1047	0.1047	0.1301	0.1908
60	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
61	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
62	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
63	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
64	0.1047	0.1047	0.1047	0.1047	0.1289	0.1880
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police and Other Safety.

Service Retirement

Public Agency Fire 2% @ 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0052	0.0052	0.0052	0.0052	0.0081	0.0121
51	0.0057	0.0057	0.0057	0.0057	0.0088	0.0131
52	0.0121	0.0121	0.0121	0.0121	0.0187	0.0280
53	0.0326	0.0326	0.0326	0.0326	0.0501	0.0750
54	0.0447	0.0447	0.0447	0.0447	0.0688	0.1030
55	0.0608	0.0608	0.0608	0.0608	0.0935	01400
56	0.0545	0.0545	0.0545	0.0545	0.0840	0.1257
57	0.0811	0.0811	0.0811	0.0811	0.01248	0.1869
58	0.0593	0.0593	0.0593	0.0593	0.0913	0.1366
59	0.0547	0.0547	0.0547	0.0547	0.0842	0.1261
60	0.0851	0.0851	0.0851	0.0851	0.1310	0.1961
61	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
62	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
63	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
64	0.0852	0.0852	0.0852	0.0852	0.1312	0.1964
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Service Retirement

Public Agency Police 2.5% @ 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
51	0.0117	0.0117	0.0117	0.0117	0.0215	0.0382
52	0.0249	0.0249	0.0249	0.0249	0.0456	0.0812
53	0.0471	0.0471	0.0471	0.0471	0.0861	0.1535
54	0.0627	0.0627	0.0627	0.0627	0.1148	0.2047
55	0.0764	0.0764	0.0764	0.0764	0.1398	0.2492
56	0.0542	0.0542	0.0542	0.0542	0.0991	0.1767
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318
58	0.0565	0.0565	0.0565	0.0565	0.1034	0.1844
59	0.1256	0.1256	0.1256	0.1256	0.1562	0.2290
60	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
61	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
62	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
63	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
64	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police and Other Safety.

Service Retirement

Public Agency Fire 2.5% @ 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0077	0.0077	0.0077	0.0077	0.0119	0.0178
52	0.0164	0.0164	0.0164	0.0164	0.0254	0.0380
53	0.0419	0.0419	0.0419	0.0419	0.0644	0.0965
54	0.0574	0.0574	0.0574	0.0574	0.0885	0.1324
55	0.0738	0.0738	0.0738	0.0738	0.1136	01700
56	0.0662	0.0662	0.0662	0.0662	0.1020	0.2077
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.1639
58	0.0711	0.0711	0.0711	0.0711	0.1095	0.1513
59	0.0656	0.0656	0.0656	0.0656	0.1011	0.2354
60	0.1022	0.1022	0.1022	0.1022	0.1572	0.2356
61	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
62	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
63	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
64	0.1022	0.1022	0.1022	0.1022	0.1574	0.2356
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Service Retirement

Public Agency Police 2.7% @ 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
51	0.0123	0.0123	0.0123	0.0123	0.0226	0.0402
52	0.0249	0.0249	0.0249	0.0249	0.0456	0.0812
53	0.0497	0.0497	0.0497	0.0497	0.0909	0.1621
54	0.0662	0.0662	0.0662	0.0662	0.1211	0.2160
55	0.0854	0.0854	0.0854	0.0854	0.1563	0.2785
56	0.0606	0.0606	0.0606	0.0606	0.1108	0.1975
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318
58	0.0628	0.0628	0.0628	0.0628	0.1149	0.2049
59	0.1396	0.1396	0.1396	0.1396	0.1735	0.2544
60	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
61	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
62	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
63	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
64	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police and Other Safety.

Service Retirement

Public Agency Fire 2.7% @ 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0081	0.0081	0.0081	0.0081	0.0125	0.0187
52	0.0164	0.0164	0.0164	0.0164	0.0254	0.0380
53	0.0442	0.0442	0.0442	0.0442	0.0680	0.1018
54	0.0606	0.0606	0.0606	0.0606	0.0934	0.1397
55	0.0825	0.0825	0.0825	0.0825	0.1269	01900
56	0.0740	0.0740	0.0740	0.0740	0.1140	0.1706
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.2077
58	0.0790	0.0790	0.0790	0.0790	0.1217	0.1821
59	0.0729	0.0729	0.0729	0.0729	0.1123	0.1681
60	0.1135	0.1135	0.1135	0.1135	0.1747	0.2615
61	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
62	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
63	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
64	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Service Retirement

	Schools 2% @ 55					
	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.005	0.009	0.013	0.015	0.016	0.018
51	0.005	0.010	0.014	0.017	0.019	0.021
52	0.006	0.012	0.017	0.020	0.022	0.025
53	0.007	0.014	0.019	0.023	0.026	0.029
54	0.012	0.024	0.033	0.039	0.044	0.049
55	0.024	0.048	0.067	0.079	0.088	0.099
56	0.020	0.039	0.055	0.065	0.072	0.081
57	0.021	0.042	0.059	0.070	0.078	0.087
58	0.025	0.050	0.070	0.083	0.092	0.103
59	0.029	0.057	0.080	0.095	0.105	0.118
60	0.037	0.073	0.102	0.121	0.134	0.150
61	0.046	0.090	0.126	0.149	0.166	0.186
62	0.076	0.151	0.212	0.250	0.278	0.311
63	0.069	0.136	0.191	0.225	0.251	0.281
64	0.067	0.133	0.185	0.219	0.244	0.273
65	0.091	0.180	0.251	0.297	0.331	0.370
66	0.072	0.143	0.200	0.237	0.264	0.295
67	0.067	0.132	0.185	0.218	0.243	0.272
68	0.060	0.118	0.165	0.195	0.217	0.243
69	0.067	0.133	0.187	0.220	0.246	0.275
70	0.066	0.131	0.183	0.216	0.241	0.270

Miscellaneous

Superfunded Status

Prior to enactment of the Public Employees' Pension Reform Act (PEPRA) that became effective January 1, 2013, a plan in superfunded status (actuarial value of assets exceeding present value of benefits) would normally pay a zero employer contribution rate while also being permitted to use its superfunded assets to pay its employees' normal member contributions.

However, Section 7522.52(a) of PEPRA states, "In any fiscal year 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 total normal cost rate..." This means that not only must employers pay their employer normal cost regardless of plan surplus, but also, employers may no longer use superfunded assets to pay employee normal member contributions.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 are taken into account in this valuation. Each year the impact of any changes in this limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base. This results in lower contributions for those employers contributing to the Replacement Benefit Fund and protects CalPERS from prefunding expected benefits in excess of limits imposed by federal tax law.

Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code Section 401(a)(17) are taken into account in this valuation. Each year, the impact of any changes in the compensation limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base.

PEPRA Assumptions

The Public Employees' Pension Reform Act of 2013 (PEPRA) mandated new benefit formulas and new member contributions for new members (as defined by PEPRA) hired after January 1, 2013. For non-pooled plans, these new members will first be reflected in the June 30, 2013 non-pooled plan valuations. New members in pooled plans will first be reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in November 2012 in response to the passage of PEPRA, also beginning with the June 30, 2013 valuation. Different assumptions for these new PEPRA members are disclosed above.

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APPENDIX B

PRINCIPAL PLAN PROVISIONS

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The following is a description of the principal plan provisions used in calculating costs and liabilities. We have indicated whether a plan provision is standard or optional. Standard benefits are applicable to all members while optional benefits vary among employers. Optional benefits that apply to a single period of time, such as Golden Handshakes, have not been included. Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The law itself governs in all situations.

PEPRA Benefit Changes

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members are reflected in your June 30, 2013 actuarial valuation. Members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in November 2012 in response to the passage of PEPRA, beginning with the June 30, 2013 valuation.

Service Retirement

Eligibility
A classic CalPERS member or PEPRA Safety member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPRA miscellaneous members become eligible for Service Retirement upon attainment of age 52 with at least 5 years of service.

Benefit
The Service Retirement benefit is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*.

- The *benefit factor* depends on the benefit formula specified in your agency's contract. The table below shows the factors for each of the available formulas. Factors vary by the member's age at retirement. Listed are the factors for retirement at whole year ages:

Miscellaneous Plan Formulas

Retirement Age	1.5% at 65	2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60	PEPRA 2% at 62
50	0.5000%	1.092%	1.426%	2.000%	2.000%	2.000%	N/A
51	0.5667%	1.156%	1.522%	2.100%	2.140%	2.100%	N/A
52	0.6334%	1.224%	1.628%	2.200%	2.280%	2.200%	1.000%
53	0.7000%	1.296%	1.742%	2.300%	2.420%	2.300%	1.100%
54	0.7667%	1.376%	1.866%	2.400%	2.560%	2.400%	1.200%
55	0.8334%	1.460%	2.000%	2.500%	2.700%	2.500%	1.300%
56	0.9000%	1.552%	2.052%	2.500%	2.700%	2.600%	1.400%
57	0.9667%	1.650%	2.104%	2.500%	2.700%	2.700%	1.500%
58	1.0334%	1.758%	2.156%	2.500%	2.700%	2.800%	1.600%
59	1.1000%	1.874%	2.210%	2.500%	2.700%	2.900%	1.700%
60	1.1667%	2.000%	2.262%	2.500%	2.700%	3.000%	1.800%
61	1.2334%	2.134%	2.314%	2.500%	2.700%	3.000%	1.900%
62	1.3000%	2.272%	2.366%	2.500%	2.700%	3.000%	2.000%

63	1.3667%	2.418%	2.418%	2.500%	2.700%	3.000%	2.100%
64	1.4334%	2.418%	2.418%	2.500%	2.700%	3.000%	2.200%
65	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.300%
66	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.400%
67 & up	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.500%

Safety Plan Formulas

Retirement Age	½ at 55 *	2% at 55	2% at 50	3% at 55	3% at 50
50	1.783%	1.426%	2.000%	2.400%	3.000%
51	1.903%	1.522%	2.140%	2.520%	3.000%
52	2.035%	1.628%	2.280%	2.640%	3.000%
53	2.178%	1.742%	2.420%	2.760%	3.000%
54	2.333%	1.866%	2.560%	2.880%	3.000%
55 & Up	2.500%	2.000%	2.700%	3.000%	3.000%

* For this formula, the benefit factor also varies by entry age. The factors shown are for members with an entry age of 35 or greater. If entry age is less than 35, then the age 55 benefit factor is 50 percent divided by the difference between age 55 and entry age. The benefit factor for ages prior to age 55 is the same proportion of the age 55 benefit factor as in the above table.

PEPRA Safety Plan Formulas

Retirement Age	2% at 57	2.5% at 57	2.7% at 57
50	1.426%	2.000%	2.000%
51	1.508%	2.071%	2.100%
52	1.590%	2.143%	2.200%
53	1.672%	2.214%	2.300%
54	1.754%	2.286%	2.400%
55	1.836%	2.357%	2.500%
56	1.918%	2.429%	2.600%
57 & Up	2.000%	2.500%	2.700%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. An agency may contract for an optional benefit where any unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave.

- The *final compensation* is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The standard benefit is 36 months. Employers have the option of providing a final compensation equal to the highest 12 consecutive months. Final compensation must be defined by the highest 36 consecutive months' pay under the 1.5% at 65 formula. PEPRA members have a cap on the annual salary that can be used to calculate final compensation for all new members based on the Social Security Contribution and Benefit Base. For employees that participate in

Social Security this cap is $113,700 for 2013 and for those employees that do not participate in social security the cap for 2013 is $136,440, the equivalent of 120 percent of the 2013 Contribution and Benefit Base. Adjustments to the caps are permitted annually based on changes to the CPI for All Urban Consumers.

- Employees must be covered by Social Security with the 1.5% at 65 formula. Social Security is optional for all other benefit formulas. For employees covered by Social Security, the Modified formula is the standard benefit. Under this type of formula, the final compensation is offset by $133.33 (or by one third if the final compensation is less than $400). Employers may contract for the Full benefit with Social Security that will eliminate the offset applicable to the final compensation. For employees not covered by Social Security, the Full benefit is paid with no offsets. Auxiliary organizations of the CSUC system may elect reduced contribution rates, in which case the offset is $317 if members are not covered by Social Security or $513 if members are covered by Social Security.

- The Miscellaneous Service Retirement benefit is not capped. The Safety Service Retirement benefit is capped at 90 percent of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status
A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, **and** has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits
The CalPERS classic members and Safety PEPRA members become eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50 (55 for employees hired into a 1.5% @ 65 plan). PEPRA Miscellaneous members become eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 52.

Benefit
The vested deferred retirement benefit is the same as the Service Retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility
A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury, which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively employed by any CalPERS employer at the time of disability in order to be eligible for this benefit.

Standard Benefit
The standard Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by *service*, which is determined as follows:

- *Service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or

- *Service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3 percent of Final Compensation.

Improved Benefit
Employers have the option of providing the improved Non-Industrial Disability Retirement benefit. This benefit provides a monthly allowance equal to 30 percent of final compensation for the first 5 years of service, plus 1 percent for each additional year of service to a maximum of 50 percent of final compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Industrial (Job Related) Disability Retirement

All safety members have this benefit. For miscellaneous members, employers have the option of providing this benefit. An employer may choose to provide the Increased benefit option or the Improved benefit option.

Eligibility
An employee is eligible for Industrial Disability Retirement if he or she becomes disabled while working, where disabled means the member is unable to perform the duties of the job because of a work-related illness or injury, which is, expected to be permanent or to last indefinitely. A CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described below.

Standard Benefit
The standard Industrial Disability Retirement benefit is a monthly allowance equal to 50 percent of final compensation.

Increased Benefit (75 percent of Final Compensation)
The increased Industrial Disability Retirement benefit is a monthly allowance equal to 75 percent final compensation for total disability.

Improved Benefit (50 percent to 90 percent of Final Compensation)
The improved Industrial Disability Retirement benefit is a monthly allowance equal to the Workman's Compensation Appeals Board permanent disability rate percentage (if 50 percent or greater, with a maximum of 90 percent) times the final compensation.

For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of accumulated member contributions with respect to employment in this group. With the standard or increased benefit, a member may also choose to receive the annuitization of the accumulated member contributions.

If a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit.

Post-Retirement Death Benefit

Standard Lump Sum Payment
Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Improved Lump Sum Payment
Employers have the option of providing an improved lump sum death benefit of $600, $2,000, $3,000, $4,000 or $5,000.

Form of Payment for Retirement Allowance

Standard Form of Payment
Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. Such reduction takes into account the amount to be provided to the beneficiary and the probable duration of payments (based on the ages of the member and beneficiary) made subsequent to the member's death.

Improved Form of Payment (Post Retirement Survivor Allowance)
Employers have the option to contract for the post retirement survivor allowance.

For retirement allowances with respect to service subject to the modified formula, 25 percent of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. For retirement allowances with respect to service subject to the full or supplemental formula, 50 percent of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. This additional benefit is often referred to as post retirement survivor allowance (PRSA) or simply as survivor continuance.

In other words, 25 percent or 50 percent of the allowance, the continuance portion, is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried children until they attain age 18; or, if no eligible children, to a qualifying dependent parent) for the rest of his or her lifetime. This benefit will not be discontinued in the event the spouse remarries.

The remaining 75 percent or 50 percent of the retirement allowance, which may be referred to as the option portion of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this option portion to be paid to any designated beneficiary after the retiree's death. Benefit options applicable to the option portion are the same as those offered with the standard form. The reduction is calculated in the same manner but is applied only to the option portion.

Pre-Retirement Death Benefits

Basic Death Benefit

This is a standard benefit.

Eligibility
An employee's beneficiary (or estate) may receive the Basic Death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this Basic Death benefit.

Benefit
The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

This is a standard benefit.

Eligibility
An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50 for Classic and Safety PEPRA members and age 52 for Miscellaneous PEPRA members, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this 1957 Survivor benefit.

Benefit
The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified Service Retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to a dependent child, the benefit will be discontinued upon death or attainment of age 18, unless the child is disabled. The total amount paid will be at least equal to the Basic Death benefit.

Optional Settlement 2W Death Benefit

This is an optional benefit.

Eligibility
An employee's *eligible survivor* may receive the Optional Settlement 2W Death benefit if the member dies while actively employed, has attained at least age 50 for Classic and Safety PEPRA members and age 52 for Miscellaneous PEPRA members, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this Optional Settlement 2W Death benefit.

Benefit
The Optional Settlement 2W Death benefit is a monthly allowance equal to the Service Retirement benefit that the member would have received had the member retired on the date of his or her death and elected Optional Settlement 2W. (A retiree who elects Optional Settlement 2W receives an allowance that has been reduced so that it will continue to be paid after his or her death to a surviving beneficiary.) The allowance is payable as long as the surviving spouse lives, at which time it is continued to any unmarried children under age 18, if applicable. The total amount paid will be at least equal to the Basic Death Benefit.

Special Death Benefit

This is a standard benefit for safety members. An employer may elect to provide this benefit for miscellaneous members.

Eligibility
An employee's *eligible survivor(s)* may receive the Special Death benefit if the member dies while actively employed and the death is job-related. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 22. An eligible survivor who chooses to receive this benefit will not receive any other death benefit.

Benefit
The Special Death benefit is a monthly allowance equal to 50 percent of final compensation, and will be increased whenever the compensation paid to active employees is increased but ceasing to increase when the member would

have attained age 50. The allowance is payable to the surviving spouse until death at which time the allowance is continued to any unmarried children under age 22. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

If the member's death is the result of an accident or injury caused by external violence or physical force incurred in the performance of the member's duty, and there are *eligible* surviving children (*eligible* means unmarried children under age 22) in addition to an eligible spouse, then an **additional monthly allowance** is paid equal to the following:

- if 1 eligible child: 12.5 percent of final compensation
- if 2 eligible children: 20.0 percent of final compensation
- if 3 or more eligible children: 25.0 percent of final compensation

Alternate Death Benefit for Local Fire Members

This is an optional benefit available only to local fire members.

Eligibility
An employee's *eligible survivor(s)* may receive the Alternate Death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 18.

Benefit
The Alternate Death benefit is a monthly allowance equal to the Service Retirement benefit that the member would have received had the member retired on the date of his or her death and elected Optional Settlement 2W. (A retiree who elects Optional Settlement 2W receives an allowance that has been reduced so that it will continue to be paid after his or her death to a surviving beneficiary.) If the member has not yet attained age 50, the benefit is equal to that which would be payable if the member had retired at age 50, based on service credited at the time of death. The allowance is payable as long as the surviving spouse lives, at which time it is continued to any unmarried children under age 18, if applicable. The total amount paid will be at least equal to the Basic Death Benefit.

Cost-of-Living Adjustments (COLA)

Standard Benefit
Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Improved Benefit
Employers have the option of providing any of these improved cost-of-living adjustments by contracting for any one of these Class 1 optional benefits. An improved COLA is not available in conjunction with the 1.5% at 65 formula.

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by either 3 percent, 4 percent or 5 percent. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80 percent of the initial allowance at

retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the retirement formula. The standard employee contribution is as described below.

The percent contributed below the monthly compensation breakpoint is 0 percent.
The monthly compensation breakpoint is $0 for full and supplemental formula members and $133.33 for employees covered by the modified formula.
The percent contributed above the monthly compensation breakpoint depends upon the benefit formula, as shown in the table below.

Benefit Formula	Percent Contributed above the Breakpoint
Miscellaneous, 1.5% at 65	2%
Miscellaneous, 2% at 60	7%
Miscellaneous, 2% at 55	7%
Miscellaneous, 2.5% at 55	8%
Miscellaneous, 2.7% at 55	8%
Miscellaneous, 3% at 60	8%
Miscellaneous, 2% at 62	50% of the Total Normal Cost
Safety, 1/2 at 55	Varies by entry age
Safety, 2% at 55	7%
Safety, 2% at 50	9%
Safety, 3% at 55	9%
Safety, 3% at 50	9%
Safety, 2% at 57	50% of the Total Normal Cost
Safety, 2.5% at 57	50% of the Total Normal Cost
Safety, 2.7% at 57	50% of the Total Normal Cost

The employer may choose to "pick-up" these contributions for the employees (Employer Paid Member Contributions or EPMC). EPMC is prohibited for new PEPRA members.

An employer may also include Employee Cost Sharing in the contract, where employees agree to share the cost of the employer contribution with or without a change in benefit. These contributions are paid in addition to the member contribution.

Auxiliary organizations of the CSUC system may elect reduced contribution rates, in which case the offset is $317 and the contribution rate is 6 percent if members are not covered by Social Security. If members are covered by Social Security, the offset is $513 and the contribution rate is 5 percent.

Refund of Employee Contributions

If the member's service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited annually with 6 percent interest.

1959 Survivor Benefit

This is a pre-retirement death benefit available only to members not covered by Social Security. Any agency joining CalPERS subsequent to 1993 was required to provide this benefit if the members were not covered by Social Security. The benefit is optional for agencies joining CalPERS prior to 1994. Levels 1, 2 and 3 are now closed. Any new agency or any agency wishing to add this benefit or increase the current level must choose the 4th or Indexed Level.

This benefit is not included in the results presented in this valuation. More information on this benefit is available on the CalPERS website at www.calpers.ca.gov.

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APPENDIX C

PARTICIPANT DATA

- **SUMMARY OF VALUATION DATA**
- **ACTIVE MEMBERS**
- **TRANSFERRED AND TERMINATED MEMBERS**
- **RETIRED MEMBERS AND BENEFICIARIES**

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Summary of Valuation Data

	June 30, 2012	June 30, 2013
1. Active Members		
a) Counts	412	370
b) Average Attained Age	40.74	40.88
c) Average Entry Age to Rate Plan	26.88	26.93
d) Average Years of Service	13.86	13.95
e) Average Annual Covered Pay	$ 107,192	$ 104,221
f) Annual Covered Payroll	44,163,084	38,561,701
g) Projected Annual Payroll for Contribution Year	48,258,194	42,137,412
h) Present Value of Future Payroll	380,744,432	332,805,583
2. Transferred Members		
a) Counts	65	72
b) Average Attained Age	41.68	41.60
c) Average Years of Service	4.41	5.34
d) Average Annual Covered Pay	$ 90,545	$ 93,221
3. Terminated Members		
a) Counts	36	42
b) Average Attained Age	43.12	43.05
c) Average Years of Service	4.74	5.28
d) Average Annual Covered Pay	$ 62,281	$ 67,570
4. Retired Members and Beneficiaries		
a) Counts	619	639
b) Average Attained Age	65.96	65.97
c) Average Annual Benefits	$ 48,524	$ 51,963
5. Active to Retired Ratio [(1a) / (4a)]	0.67	0.58

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.

Average Annual Benefits represents benefit amounts payable by this plan only. Some members may have service with another agency and would therefore have a larger total benefit than would be included as part of the average shown here.

Active Members

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 Members by Age and Service

Attained Age	Years of Service at Valuation Date						
	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	2	0	0	0	0	0	2
25-29	11	25	0	0	0	0	36
30-34	3	63	9	0	0	0	75
35-39	3	31	13	9	0	0	56
40-44	3	6	28	22	17	0	76
45-49	2	3	11	18	21	11	66
50-54	0	0	3	9	15	22	49
55-59	0	0	0	0	1	7	8
60-64	0	0	0	0	0	2	2
65 and over	0	0	0	0	0	0	0
All Ages	24	128	64	58	54	42	370

Distribution of Average Annual Salaries by Age and Service

Attained Age	Years of Service at Valuation Date						
	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	$76,743	$0	$0	$0	$0	$0	$76,743
25-29	78,488	92,229	0	0	0	0	88,030
30-34	84,187	96,147	99,067	0	0	0	96,019
35-39	86,831	97,643	103,304	101,430	0	0	98,987
40-44	140,751	97,123	104,771	113,603	118,529	0	111,222
45-49	89,462	103,534	109,244	111,451	113,720	127,598	113,470
50-54	0	0	104,939	104,399	109,400	120,943	113,391
55-59	0	0	0	0	103,373	101,755	101,957
60-64	0	0	0	0	0	90,367	90,367
65 and over	0	0	0	0	0	0	0
All Ages	$88,795	$95,963	$104,448	$109,618	$113,843	$118,032	$104,221

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age and Service

Attained Age	Years of Service at Valuation Date							Average Salary
	0-4	5-9	10-14	15-19	20-25	25+	Total	
15-24	1	0	0	0	0	0	1	$70,147
25-29	2	2	0	0	0	0	4	84,589
30-34	7	4	0	0	0	0	11	86,678
35-39	9	3	4	0	0	0	16	88,442
40-44	12	2	1	0	0	0	15	90,374
45-49	6	0	2	4	0	0	12	91,209
50-54	4	1	2	0	2	0	9	118,008
55-59	1	0	0	1	0	0	2	126,012
60-64	1	0	0	0	0	0	1	130,694
65 and over	1	0	0	0	0	0	1	40,000
All Ages	44	12	9	5	2	0	72	93,221

Distribution of Terminated Participants with Funds on Deposit by Age and Service

Attained Age	Years of Service at Valuation Date							Average Salary
	0-4	5-9	10-14	15-19	20-25	25+	Total	
15-24	0	0	0	0	0	0	0	$0
25-29	3	1	0	0	0	0	4	79,092
30-34	8	1	0	0	0	0	9	64,969
35-39	2	0	0	0	0	0	2	68,868
40-44	3	1	2	1	0	0	7	82,663
45-49	6	3	2	0	0	0	11	58,176
50-54	1	3	0	0	0	0	4	55,654
55-59	1	2	1	0	0	0	4	68,376
60-64	0	0	0	0	1	0	1	84,396
65 and over	0	0	0	0	0	0	0	0
All Ages	24	11	5	1	1	0	42	67,570

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	0	0
30-34	0	0	2	0	0	0	2
35-39	0	1	1	0	0	0	2
40-44	0	0	11	0	0	0	11
45-49	0	0	10	0	2	3	15
50-54	42	3	33	0	0	2	80
55-59	55	0	55	1	0	6	117
60-64	33	0	55	0	2	4	94
65-69	25	1	61	0	2	7	96
70-74	29	0	35	0	0	9	73
75-79	16	1	25	0	0	15	57
80-84	9	0	17	0	0	20	46
85 and Over	17	1	13	0	0	15	46
All Ages	226	7	318	1	6	81	639

Distribution of Average Annual Amounts for Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	$0	$0	$0	$0	$0	$0	$0
30-34	0	0	42,323	0	0	0	42,323
35-39	0	5,931	46,162	0	0	0	26,047
40-44	0	0	45,997	0	0	0	45,997
45-49	0	0	40,214	0	59,881	26,793	40,152
50-54	80,942	21,810	48,207	0	0	57,888	64,645
55-59	75,830	0	61,948	41,219	0	49,317	67,649
60-64	74,118	0	54,711	0	35,531	50,595	60,941
65-69	63,050	29,205	46,260	0	38,547	32,524	49,292
70-74	44,016	0	39,999	0	0	44,865	42,195
75-79	56,342	17,244	40,508	0	0	39,270	44,219
80-84	32,972	0	38,613	0	0	18,855	28,919
85 and Over	38,969	44,371	31,156	0	0	24,624	32,201
All Ages	$65,175	$23,169	$48,245	$41,219	$44,653	$32,857	$51,963

Retired Members and Beneficiaries (continued)

Distribution of Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	98	1	45	1	1	25	171
5-9	35	1	36	0	0	23	95
10-14	25	2	40	0	1	11	79
15-19	20	1	52	0	1	10	84
20-24	24	0	38	0	1	4	67
25-29	5	0	43	0	1	3	52
30 and Over	19	2	64	0	1	5	91
All Years	226	7	318	1	6	81	639

Distribution of Average Annual Amounts for Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	$78,673	$5,931	$90,858	$41,219	$50,359	$39,742	$75,378
5-9	69,427	33,582	65,962	0	0	30,922	58,414
10-14	58,719	18,981	52,430	0	69,402	34,801	51,334
15-19	53,001	23,091	47,250	0	38,868	26,597	45,773
20-24	49,860	0	36,166	0	55,705	30,665	41,035
25-29	28,566	0	33,162	0	32,194	30,525	32,549
30 and Over	38,010	30,808	23,816	0	21,388	18,725	26,627
All Years	$65,175	$23,169	$48,245	$41,219	$44,653	$32,857	$51,963

* Counts of members do not include alternate payees receiving benefits while the member is still working. Therefore, the total counts may not match information on page 25 of the report. Multiple records may exist for those who have service in more than one coverage group. This does not result in double counting of liabilities.

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APPENDIX D

DEVELOPMENT OF PEPRA MEMBER CONTRIBUTION RATE

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DEVELOPMENT OF PEPRA MEMBER CONTRIBUTION RATE

The table below shows the determination of the Member contribution rates based on 50 percent of the Total Normal Cost for each respective plan on June 30, 2013.

Assembly Bill (AB) 340 created PEPRA that implemented new benefit formulas and a final compensation period as well as new contribution requirements for new employees. In accordance with Section Code 7522.30(b), "new members ... shall have an initial contribution rate of at least 50 percent of the normal cost rate." The normal cost for the plan is dependent on the benefit levels, actuarial assumptions and demographics of the plan particularly the entry age into the plan. Since the actual demographics of new members was not known during the implementation of PEPRA in December 2012, the normal cost rate was determined based on the average demographics of the members in the current 2 percent at age 55 miscellaneous risk pool and the 3 percent at age 50 safety risk pool.

In analyzing the first set of PEPRA data, CalPERS staff has become concerned that, for most employers, there is insufficient data to produce stable normal costs and member contribution rates. Further, this situation is likely to persist for a number of years as employers gradually bring on more PEPRA members. The larger employers may have sufficient PEPRA members in the first few years but other employers may not have stable rates for a number of years. Staff has concluded that the best approach is to repeat the process – using the normal costs based on the demographics of the risk pools – for the current valuation and work with stakeholders over the next year to determine the best long-term approach to the issue of calculating PEPRA normal costs and member contribution rates. For more information on this topic please refer to the CalPERS Board of Administration agenda item 9a of the May 20th, 2014 meeting which is available on the CalPERS website.

		Basis for Current Rate		Rates Effective July 1, 2015			
Rate Plan Identifier	Plan	Total Normal Cost	Member Rate	Total Normal Cost	Change	Change Needed	Member Rate
25043	Safety Fire PEPRA	24.40%	12.250%	24.40%	0.00%	No	12.250%
25044	Safety Police PEPRA	24.40%	12.250%	24.40%	0.00%	No	12.250%

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APPENDIX E

GLOSSARY OF ACTUARIAL TERMS

Glossary of Actuarial Terms

Accrued Liability *(also called Actuarial Accrued Liability or Entry Age Normal 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 discount rate, salary growth and inflation.

Actuarial Methods
Procedures employed by actuaries to achieve certain funding goals of a pension plan. Actuarial methods include funding method, setting the length of time to fund the Accrued Liability and determining the Actuarial Value of Assets.

Actuarial Valuation
The determination, as of a valuation date, of the Normal Cost, 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.

Amortization Bases
Separate payment schedules for different portions of the Unfunded Liability. The total Unfunded Liability of a Risk Pool or non-pooled plan can be segregated by "cause," creating "bases" and each such base will be separately amortized and paid for over a specific period of time. However, all bases are amortized using investment and payroll assumptions from the current valuation. This can be likened to a home having a first mortgage of 24 years remaining payments and a second mortgage that has 10 years remaining payments. 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 unfunded liability due to contract amendments, actuarial assumption changes, actuarial methodology changes, and or 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 as set forth in GASB Statement No. 27, 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.

Classic Member (under PEPRA)
A classic member is a member who joined CalPERS prior to January, 1, 2013 and who is not defined as a new member under PEPRA. (See definition of new member below)

Discount Rate Assumption
The actuarial assumption that was called "investment return" in earlier CalPERS reports or "actuarial interest rate" in Section 20014 of the California Public Employees' Retirement Law (PERL).

Entry Age
The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan. In most cases, this is the age of the member on their date of hire.

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 yield a rate expressed as a level percentage of payroll.
(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 on the date of 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.)

Fresh Start
A Fresh Start is when multiple amortization bases are collapsed to one base and amortized together over a new funding period.

Funded Status
A measure of how well funded, or how "on track" a plan or risk pool is with respect to assets verses 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. A funded ratio based on the Actuarial Value of Assets indicates the progress toward fully funding the plan using the actuarial cost methods and assumptions. A funded ratio based on the Market Value of Assets indicates the short-term solvency of the plan.

GASB 27
Statement No. 27 of the Governmental Accounting Standards Board. The accounting standard governing a state or local governmental employer's accounting for pensions.

GASB 68
Statement No. 68 of the Governmental Accounting Standards Board. The accounting standard governing a state or local governmental employer's accounting and financial reporting for pensions. GASB 68 replaces GASB 27 effective the first fiscal year beginning after June 15, 2014.

New Member (under PEPRA)
A new member includes an individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was not a member of another public retirement system prior to that date, and who is not subject to reciprocity with another public retirement system.

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

Pension Actuary
A business professional that is authorized by the Society of Actuaries, and the American Academy of Actuaries to perform the calculations necessary to properly fund a pension plan.

PEPRA
The California Public Employees' Pension Reform Act of 2013

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

Present Value of Benefits (PVB)
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, rather than declining.

Superfunded

A condition existing when a plan's Actuarial Value of Assets exceeds its Present Value of Benefits. Prior to the passage of PEPRA, when this condition existed on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation could 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. If the Unfunded Liability is positive, the plan or pool will have to pay contributions exceeding the Normal Cost.

Exhibit 2

Agenda Item 9a, Attachment 1

Annual Review of Funding Levels and Risks As of June 30, 2011

Table of Contents

Executive Summary

This report is intended to assist the CalPERS Board of Administration in assessing the funded status of the Public Employees Retirement System and its overall soundness and sustainability. It focusses on the funding levels and risks associated with the funding of the system.

The report shows that the current funding levels are generally between 65 and 80 percent funded, significantly below the ideal level of 100%.

The report notes that payments toward the unfunded liability (UAL) are generally less than the interest on the unfunded liability. This shows that employer contribution rates will need to increase in the future.

Overall, the report highlights that employers are exposed to a considerable amount of contribution rate volatility and a risk of further changes in funded status. Contribution rates are expected to remain high for an extended period unless there is a period of exceptional returns in the markets.

This analysis of funding levels and risks points out that CalPERS current actuarial policies, actuarial assumptions and investment policies have considerable embedded risk. Changes to our assumptions and policies would be needed if the risk to our members and our participating employers is to change significantly.

The Board is currently engaged in a process of reviewing the risk levels in the system. It should continue examining its comfort level with the inherent risks in the system and determine whether it wishes to take additional steps to de-risk the funding of the system. In order to reduce the level of funding risk, it would be necessary to adopt changes to actuarial and/or investment policies. Such changes would result in increased employer contribution levels (at least in the short term). Given the impact on employers and the financial strain they are under due to the current economic environment, it may be appropriate to make any changes to our actuarial and investment policies gradually.

Introduction

This is the second annual report on funding levels and risk measures. It is intended to assist the CalPERS Board of Administration in assessing the funded status of the Public Employees Retirement System and its overall soundness and sustainability.

This report has benefited greatly from the work that has been done in the last year on developing the Asset Liability Decision Making Framework that was presented at both the July 2012 and January 2013 Board offsite meetings. That model has been designed to bring the risks of funding the retirement system into sharp focus. It is

intended as a decision making tool and specifically to permit the Board to see the impact of its decisions with respect to actuarial and investment policy on the risks of funding the system. It is also an excellent tool to supplement the risk information that was presented in the first annual report on funding levels and risks.

In this report, we focus on the three key risk considerations that are used in the Asset Liability Decision Making Framework as well as five other measures: current funded status, volatility indexes, where we are in the asset smoothing corridor & investment return sensitivity, amortization payment toward the unfunded liability and hypothetical termination liability. In addition, we introduced external risk factors that have emerged in the pension environment over the past year.

Any attempt to present an overview of funding levels and risks for a system such as CalPERS has an inherent difficulty; the system is composed of many plans, and several risk sharing pools that are funded separately. As a result, it is not sufficient to look at the funded status or various risk measures for the system as a whole. Instead, we need to look at the breakdown of the various measures for each of the non-pooled public agency plans, the nine public agency risk pools and the state and schools plans. Given the number of non-pooled public agency plans, we will focus on presenting the distribution of results with additional analysis of the outliers.

Changes in the Pension Environment

Since the last report on funding levels and risks, there have been three changes in the pension environment that should be considered when assessing funding risks. They are the bankruptcy filings of three public agencies, the passage of pension reform legislation and the issuance of new pension accounting standards.

Employer Bankruptcies

In the last year, three CalPERS participating employers have declared bankruptcy. They are the cities of Stockton and San Bernardino and the town of Mammoth Lakes. These bankruptcies represent an added area of risk.

The California Public Employees' Retirement Law (PERL) imposes statutory and other legal obligations on participating employers. CalPERS in turn has obligations to provide retirement benefits to the employers' employees and retirees in accordance with the provisions of the PERL. Under the PERL, employees have earned pension benefits attributable to services performed and will continue to earn additional benefits as service is performed for the employer. . Each day an employee works, that employee earns additional service credit, which increases the value of the benefit that CalPERS must ultimately pay to that employee.

The participating employers' contributory obligations to CalPERS are determined on an actuarial basis taking into account investment returns, employee life expectancy, projected retirement date and projected compensation. The benefits under CalPERS

are pre-funded. Instead of allocating money at or near the time that benefits become due, a pre-funded plan relies upon an orderly schedule of contributions well in advance of benefit requirements. These contributions are then invested and the investment returns are used to fund the cost of pension benefits. If a participating employer does not timely make its required payments, the actuarial soundness of the fund will be negatively impacted. The actuarial calculations are premised on the fact that contributions will be made when required and invested when made.

When contributions are delayed beyond the required date, the plan falls out of actuarial balance and actuarial soundness is put in jeopardy. By not making timely contributions, the asset base is not being increased as projected while at the same time, the liabilities are continuing to increase as employees continue to earn service credit.

The bankruptcy of the town of Mammoth Lakes was triggered by a judgment in a lawsuit against the town. The town has successfully negotiated with its primary creditor, the plaintiff in the lawsuit, and has exited bankruptcy protection. This case no longer represents a special risk but is worth considering as it demonstrates that employers are subject to external pressures that can affect their ability to pay the required contributions to the system. These external factors thus have implications for the funding of the system.

The bankruptcy proceedings for the cities of Stockton and San Bernardino are significantly different. Those cities have yet to emerge from bankruptcy and the cases are being litigated at the present time.

During the decade of 2000, the price of homes climbed at an unsupportable rate. This created a temporary boom for the City of Stockton as revenues and expenses dramatically increased during this boom. With the downturn in the market, median house prices fell by more than 60 percent over a five-year period and city revenues plummeted. The combination of high unemployment, widespread home foreclosures and a collapsing tax base resulted in general fund deficits for several years depleting the city's reserves. When the reserves dried up, the city entered bankruptcy. Nevertheless, the city has continued to make timely employer contributions to CalPERS.

The economic downturn has also severely impacted the City of San Bernardino. San Bernardino filed for bankruptcy protection in August of 2012 citing a $46 million deficit and limited capacity to make its payroll and day-to-day operating expenses. The city unilaterally suspended employer bi-monthly contributions of $1.2 million to CalPERS while it prepares a re-structuring plan.

Municipal bankruptcies pose a substantial risk to the system. Unsecured creditors of the cities of Stockton and San Bernardino have argued that the cities' state law obligations to CalPERS and to the members are pre-empted by federal bankruptcy law. Under this reading of the law, the bankruptcy court could treat these obligations like other unsecured obligations of the debtor and impair them irrespective of the requirements of state law. CalPERS is taking appropriate steps to protect the integrity of

the system and the retirement security of its members; however, significant legal risk remains. Should the bankruptcy court rule that a city's pension plan need not be funded consistent with state law, other struggling CalPERS public agencies could be tempted to alter their actuarially required contributions through bankruptcy proceedings.

Pension Reform

On September 12, 2012 the Governor signed pension reform AB 340 into law and the Public Employees' Pension Reform Act (PEPRA) became effective January 1, 2013. PEPRA created a new defined benefit formula of 2 percent at age 62 for all new miscellaneous members with an early retirement age of 52 and a maximum benefit factor of 2.5% at age 67. It also created three new defined benefit formulas for new safety members with an early retirement age at 50 and a maximum benefit factor at age 57. These lower benefit formulas will ultimately reduce employer costs and in turn have lower contribution rate volatility risk since asset to payroll ratios will decrease over time.

Accounting Standards

The Governmental Accounting Standards Board approved new statements for pension accounting (Statement No. 67 and Statement No.68). These new standards will not affect current pension funding but will impact employers required accounting disclosures for its pension liabilities. It is unclear whether the new disclosures will influence the ratings agencies assessment of public agency credit worthiness. There is a potential risk that the new GASB requirements may affect the ability of public agencies to borrow money in the credit markets. This is an emerging area of risk and it is unclear whether public agencies will be less willing to take risk in providing retirement benefits.

Funding Levels

The discussion below looks at funding levels in two different contexts. First, we examine the funding levels on an on-going plan basis. That is, we look at the funded status using our regular funding assumptions assuming that the plan is on-going with service being accrued by members, salary increases occurring normally and so on. The second context is that of a hypothetical termination basis where we look at what the funded status would have been had the employer sponsoring the plan elected to terminate their contract with CalPERS.

Going Concern Basis

It is not required, nor necessarily desirable, to have accumulated assets sufficient to cover the total present value of benefits until every member has left employment. Instead, the actuarial funding process calculates a regular contribution schedule of employee contributions and employer contributions (called normal costs) that are designed to accumulate with interest to equal the total present value of benefits by the

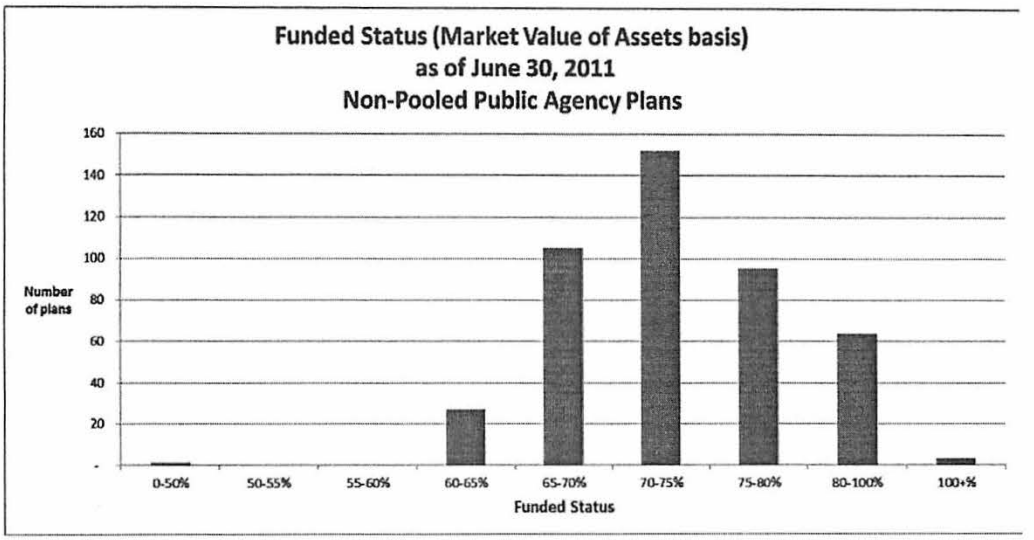
time every member has left employment. As of each June 30, the actuary calculates the "desirable" level of plan assets as of that point in time by subtracting the present value of scheduled future employee contributions and future employer normal costs from the total present value of benefits. The resulting "desirable" level of assets is called the accrued liability.

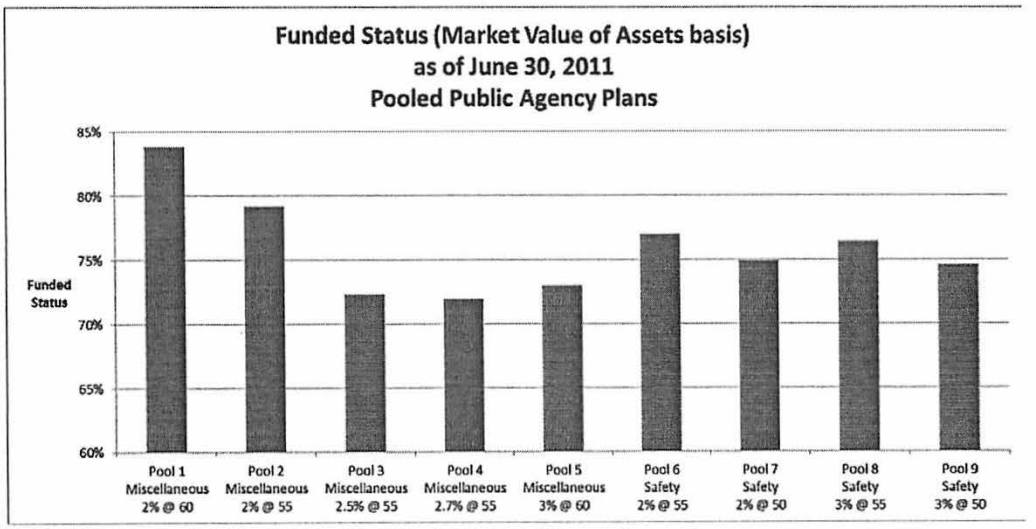
A plan with assets exactly equal to the plan's accrued liability is simply "on schedule" in funding that plan, and only future employee contributions and future employer normal costs are needed. A plan with assets below the accrued liability is "behind schedule", or is said to have an unfunded liability, and must temporarily increase contributions to get back on schedule. A plan with assets in excess of the plan's accrued liability is "ahead of schedule", or is said to have excess assets, and can temporarily reduce future contributions. Of course, events such as plan amendments and investment or demographic gains or losses can change a plan's condition from year to year.

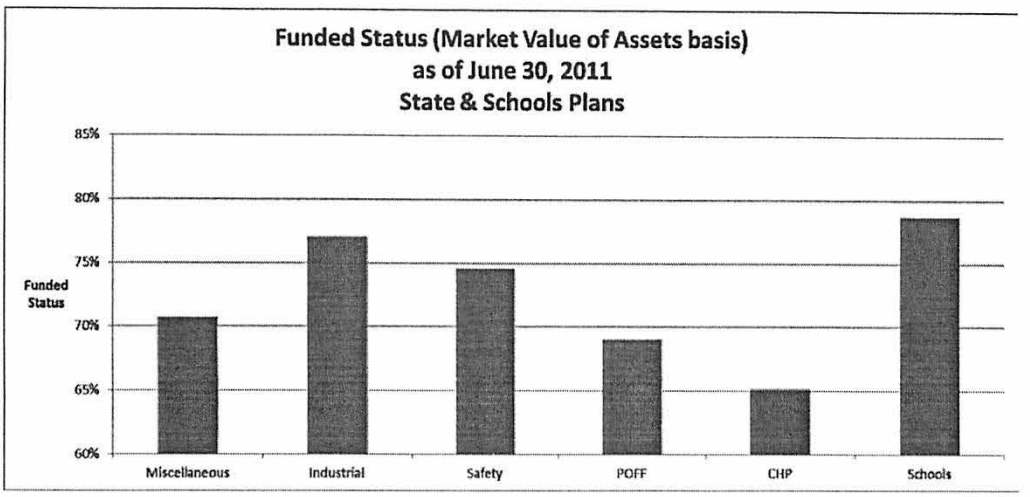
The funded status of a pension plan is defined as the ratio of assets to a plan's accrued liabilities. This measure when below a certain level along with other risk measures like net cash flow and period of amortization of unfunded liabilities indicates whether a plan is at risk of not meeting future benefit obligations.

The funded status shown in the following summary and charts is based on the market value of assets. As of June 30, 2011, the PERF was 73.6 percent funded on a market value basis. This number is an average of all plans that participate with CalPERS. June 30, 2011 is the most recent figure available since the June 30, 2012 actuarial valuations for all plans will not be completed until fall 2013. As a result of the 0.1 percent investment return in 2011-12, we estimate the funded status on a market value basis for the PERF to be about 70.2 percent as of June 30, 2012[1]. When looking at the funding risk, one needs to look at all plans individually and not only the PERF as a whole. Below are charts of the funded status of the PERF system, as of June 30, 2011 broken down by various groups.

[1] The estimated funded status as of June 30, 2012 is prior to any changes to actuarial assumptions or gains and losses other than the known investment gain in 2011-2012.


Funded Status (Market Value of Assets basis)
as of June 30, 2011
Non-Pooled Public Agency Plans
Number of plans
160
140
120
100
80
60
40
20
-
0-50%
50-55%
55-60%
60-65%
65-70%
70-75%
75-80%
80-100%
100+%
Funded Status


Funded Status (Market Value of Assets basis)
as of June 30, 2011
Pooled Public Agency Plans
Funded Status
85%
80%
75%
70%
65%
60%
Pool 1 Miscellaneous 2% @ 60
Pool 2 Miscellaneous 2% @ 55
Pool 3 Miscellaneous 2.5% @ 55
Pool 4 Miscellaneous 2.7% @ 55
Pool 5 Miscellaneous 3% @ 60
Pool 6 Safety 2% @ 55
Pool 7 Safety 2% @ 50
Pool 8 Safety 3% @ 55
Pool 9 Safety 3% @ 50



The vast majority of plans (including all but one of the risk pools and all of the State and Schools plans) were between 65 and 80 percent funded as of June 30, 2011. Only a tiny fraction of plans were more than 100 percent funded on this date. Being less than 100 percent funded means that employer contributions need to be higher than the employer normal cost.

There is one non-pooled plan that has a funded status below 50 percent. The plan has just recently contracted with CalPERS with 100 percent past service so a low funded status is to be expected.

There are three non-pooled plans that have funded statuses over 100 percent, these plans also have recently joined CalPERS and have contributed more than their liabilities (0 percent past service) since inception. There are 64 non-pooled plans that are between 80 percent and 100 percent funded, these plans have had either good experience or have been making contributions above those that are required but none indicated that Pension Obligation Bonds were the source of the extra contributions.

The funded status risk measure does not appear to indicate an immediate risk, but will continue to be monitored closely. As stated earlier, being less than 100 percent funded means that employer contributions need to be higher than the employer normal cost – although not necessarily higher than the current contribution level[2].

Another aspect to keep in mind is the actuarial assumptions used in determining the funded status. The funded status information reported in this report is based on the actuarial assumptions that were in place for the June 30, 2011 actuarial valuations and incorporate the board adopted reduction of the discount rate from 7.75 percent to 7.5 percent.

[2] However, see the discussion on the Smoothing Corridor/Investment Return Sensitivity which does imply that contributions need to be higher than the current level.

It should also be noted that if the assets of a plan have dropped to a level that is significantly below a 100 percent funding level on a market value basis due to poor investment performance and that plan has negative cash flows (i.e. benefits being paid out of the fund versus employer and member contributions coming in are negative) the funded status of such plans could be very slow to progress toward 100 percent unless contributions are increased. In February 2010, the CalPERS Board adopted a policy that requires more aggressive funding for plans where the negative cash flows were preventing adequate progress towards being 100 percent funded. The policy in place requires that if in 30 years, 1) a plan's funded status is not projected to improve by 15 percent or 2) a funded status of 75 percent is not projected, the amortization period for gains and losses will be shortened to ensure the satisfaction of both criteria.

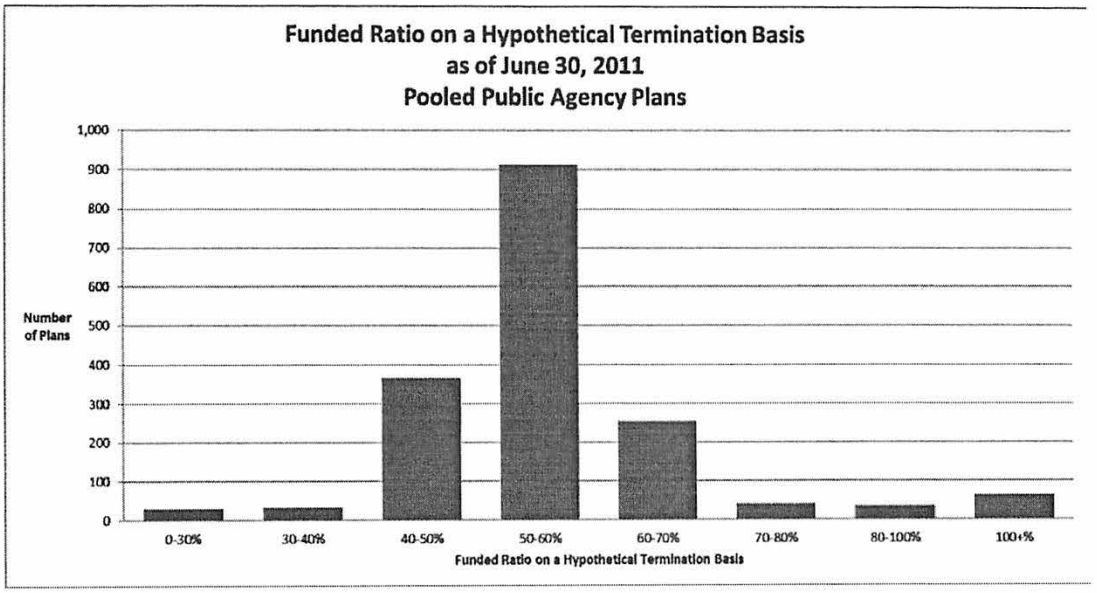
Hypothetical Termination Basis

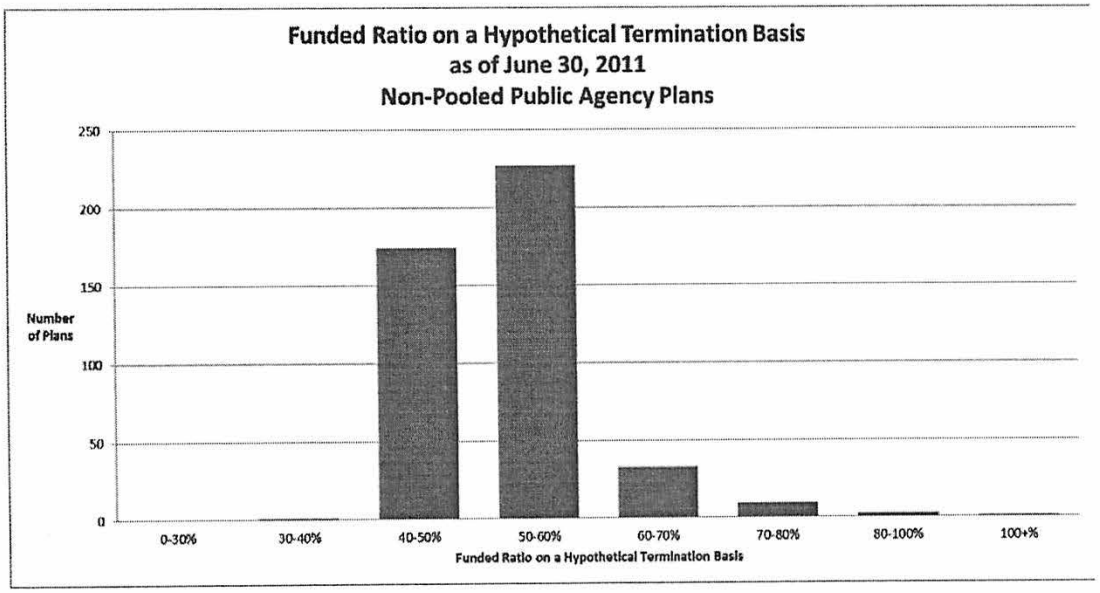
In August 2011, the CalPERS Board adopted an investment policy and asset allocation strategy for the Terminated Agency Pool that more closely reflects expected benefit payments from that pool. With this change, CalPERS increased benefit security for members while limiting its funding risk.

The assumptions used, including the discount rate, take into account the yields available in the US Treasury market on the valuation date and the mortality load for contingencies. The discount rate is duration weighted and is not necessarily the rate that would be used for a given plan if it were to terminate. The discount rate for each plan's termination liability would depend on the duration of the liabilities of the plan. For purposes of this estimate, the discount rate used, 4.82 percent, is the June 30, 2011 30-year US Treasury Stripped Coupon Rate. Please note, as of June 30, 2012 the 30-year US Treasury Stripped Coupon Rate was 2.87 percent. On this basis the hypothetical termination funded status for most plans is in the 40 percent to 60 percent range.

Below are charts of the hypothetical termination funded status of the public agency plans[3]:

[3] Legislation does not permit State & Schools Plan to be terminated.


Funded Ratio on a Hypothetical Termination Basis
as of June 30, 2011
Pooled Public Agency Plans
Number of Plans
1,000
900
800
700
600
500
400
300
200
100
0
0-30%
30-40%
40-50%
50-60%
60-70%
70-80%
80-100%
100+%
Funded Ratio on a Hypothetical Termination Basis


Funded Ratio on a Hypothetical Termination Basis
as of June 30, 2011
Non-Pooled Public Agency Plans
Number of Plans
250
200
150
100
50
0
0-30%
30-40%
40-50%
50-60%
60-70%
70-80%
80-100%
100+%
Funded Ratio on a Hypothetical Termination Basis

Risk Measures

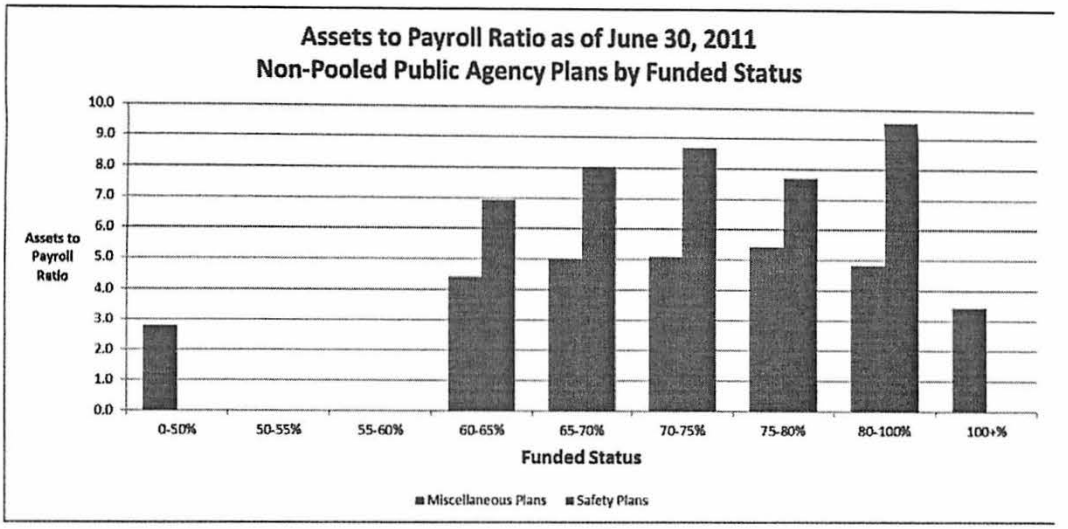
Volatility

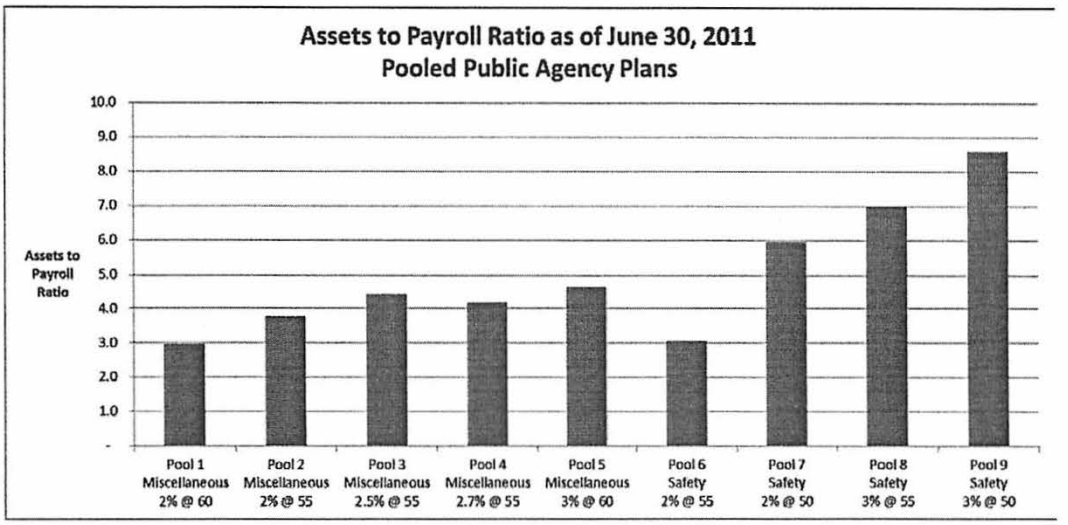
The volatility in annual employer rates may be affected by the accumulation of assets. Higher benefits and earlier retirement ages require the accumulation of more assets per member earlier in their career. Rate volatility is heavily influenced by the ratio of plan assets to active member payroll. Higher asset to payroll ratios produce more volatile employer rates. To see this, consider two plans, one with assets that are 4 times active member payroll, and the other with assets that are 8 times active member payroll. In a given year, let's see what happens when assets rise or fall 10 percent above or below the actuarial assumption. For the plan with a ratio of 4, this 10 percent gain or loss in assets is the same in dollars as 40 percent of payroll. For the plan with a ratio of 8, this is equivalent to 80 percent of payroll. If this gain or loss is spread over 20 years (and we oversimplify by ignoring interest on the gain or loss), then the first plan's rate changes by 2 percent of payroll while the second plan's rate changes by 4 percent of payroll.

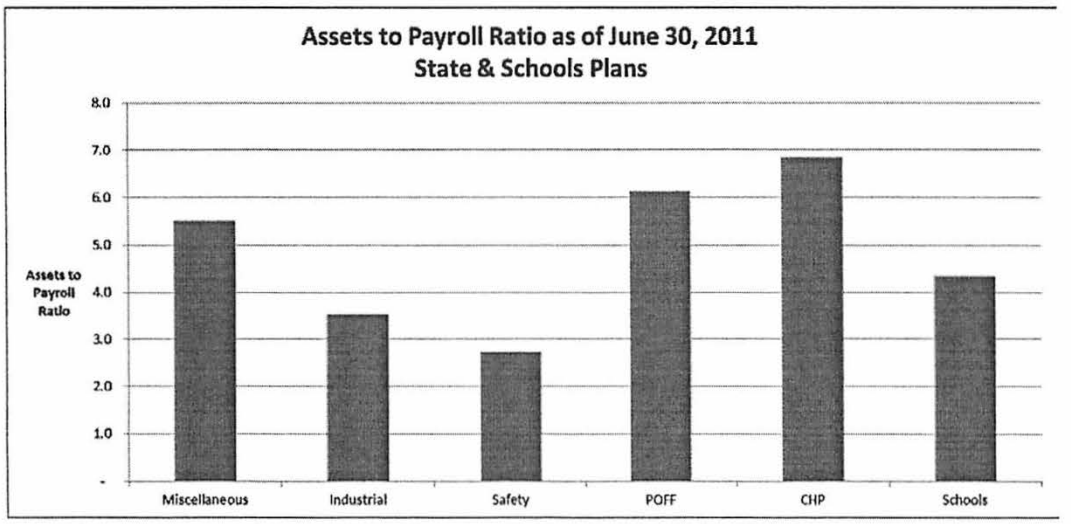
Plans with relatively larger benefits and earlier retirement ages need to accumulate assets at a faster rate than their counterparts. Such plans tend to have a higher ratio and are more susceptible to larger asset gains or losses. These asset gains or losses are, by current Board policy, amortized over a rolling 30 years (with the exception of the 3-year phase-in of the 2009 losses) as a level percentage of payroll. Thus larger ratios combined with large asset gains or losses translate into larger contribution changes relative to payroll.

It should also be noted that these ratios tend to stabilize as the plan matures. That is, all plans with no past service start their lives with zero assets and zero accrued liability – and so asset to payroll ratio and liability to payroll ratio equal zero. However, as time goes by these ratios begin to rise and then tend to stabilize at some constant amount as the plan matures. Higher benefit levels and earlier expected retirements produce higher constant future ratios. For example, our miscellaneous plan pools have ratios that range from 2.9 for the "2 percent at 60" pool to a ratio of 4.6 for the "3 percent at 60" pool. For safety pools, the ratios range from 3.1 for the "2 percent at 55" pool to a ratio of 8.6 for the "3 percent at 50" pool. These ratios are also known as the Volatility Index.

The following charts of the asset to payroll ratios of the PERF system broken down by various groups:


Assets to Payroll Ratio as of June 30, 2011
Non-Pooled Public Agency Plans by Funded Status
Assets to Payroll Ratio
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
0-50%
50-55%
55-60%
60-65%
65-70%
70-75%
75-80%
80-100%
100+%
Funded Status
Miscellaneous Plans
Safety Plans


Assets to Payroll Ratio as of June 30, 2011
Pooled Public Agency Plans
Assets to Payroll Ratio
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
-
Pool 1 Miscellaneous 2% @ 60
Pool 2 Miscellaneous 2% @ 55
Pool 3 Miscellaneous 2.5% @ 55
Pool 4 Miscellaneous 2.7% @ 55
Pool 5 Miscellaneous 3% @ 60
Pool 6 Safety 2% @ 55
Pool 7 Safety 2% @ 50
Pool 8 Safety 3% @ 55
Pool 9 Safety 3% @ 50


Assets to Payroll Ratio as of June 30, 2011
State & Schools Plans
Assets to Payroll Ratio
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
-
Miscellaneous
Industrial
Safety
POFF
CHP
Schools

This risk measure is descriptive in nature. That is, there is nothing to "fix" if the Volatility Index is high. A high Volatility Index simply indicates that there is a lot of money invested for the plan--a good thing in the overall scheme of a pension plan. It should, however, serve as a reminder that the more money invested, the more impact investment gains and losses have. It should also be noted that this Volatility Index only considers volatility related to investment returns and, to a lesser extent, payroll. Other gains and losses affect the liability and are therefore not taken into account in the determination of the index.

As shown in the charts above, the average asset to payroll ratio is between 4 and 5 but there are a significant number of plans with ratios above this level. Given the expected level of investment volatility, plans with an asset to payroll ratio of 4 are expected to experience a gain or loss in excess of 50 percent of the sponsoring employer's payroll in about one third of future years. Plans with higher asset to payroll ratios are expected to experience even greater levels of investment volatility.

Smoothing Corridor / Investment Return Sensitivity

In 2005, the CalPERS Board adopted rate smoothing polices that included a new set of parameters for the establishment of the actuarial value of assets. In order to minimize contribution rate changes from year to year, actuaries often use an actuarial value of assets instead of the market value of assets to set required contribution rates in a pension plan.

In 2005, CalPERS adopted a revision to its asset smoothing method that included the following:

- Investment gains and losses are spread over a 15 year period
- Actuarial value of assets is subject to a 80 percent -120 percent "corridor"

The corridor adopted by the Board means that in any given year the actuarial value of assets cannot be less than 80 percent of the market value of assets or greater than 120 percent of the market value of assets. This corridor was deemed necessary at the time because investment gains and losses are spread over a 15 year period. A wider or even no corridor would be acceptable only if the period over which investment gains and losses are spread is shortened.

The use of a corridor can lead to the inability to smooth the impact of investment experience when the actuarial value of assets is near the corridor. For example, if the actuarial value of assets is equal to the market value of assets i.e. 100 percent then the smoothing method can absorb and smooth out a gain or a loss of about 20 percent above or below the expected return. In this example, the smoothing methods in place today would be able to smooth out over 15 years the impact of returns ranging between -12 percent and +28 percent if the actuarial value of assets is 100 percent of the market value of assets.

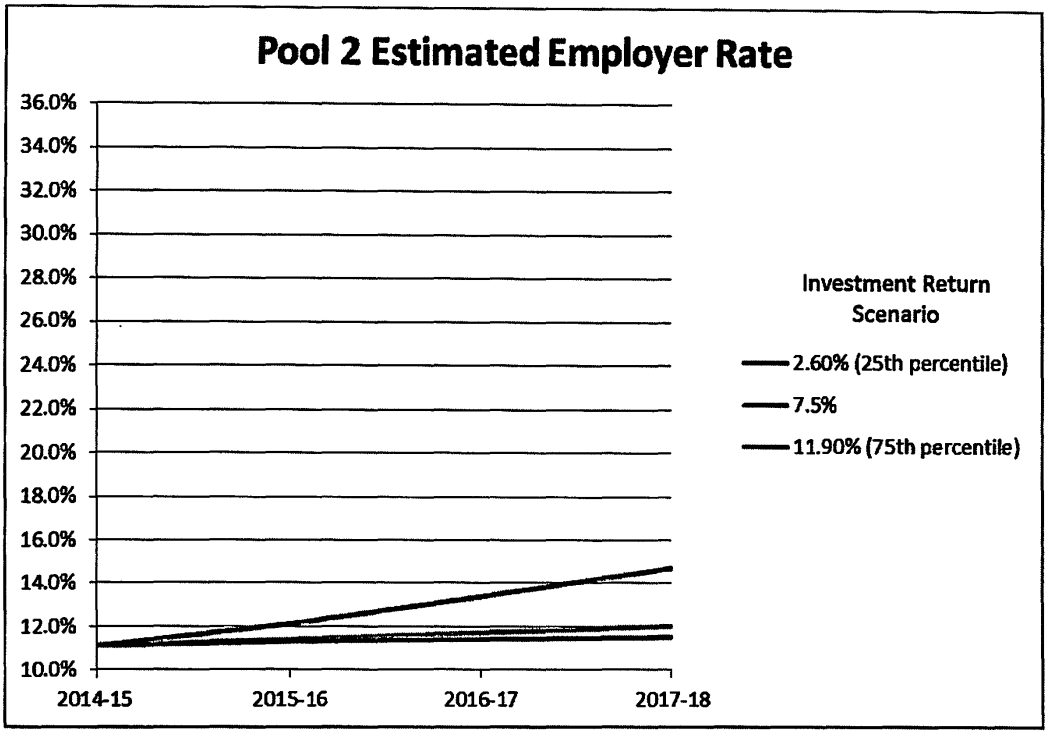
Below is a chart comparing the actuarial value of assets to the market value of assets for the PERF since the implementation of the new smoothing methods in 2005. The methods applied for the first time in the June 30, 2004 actuarial valuations.

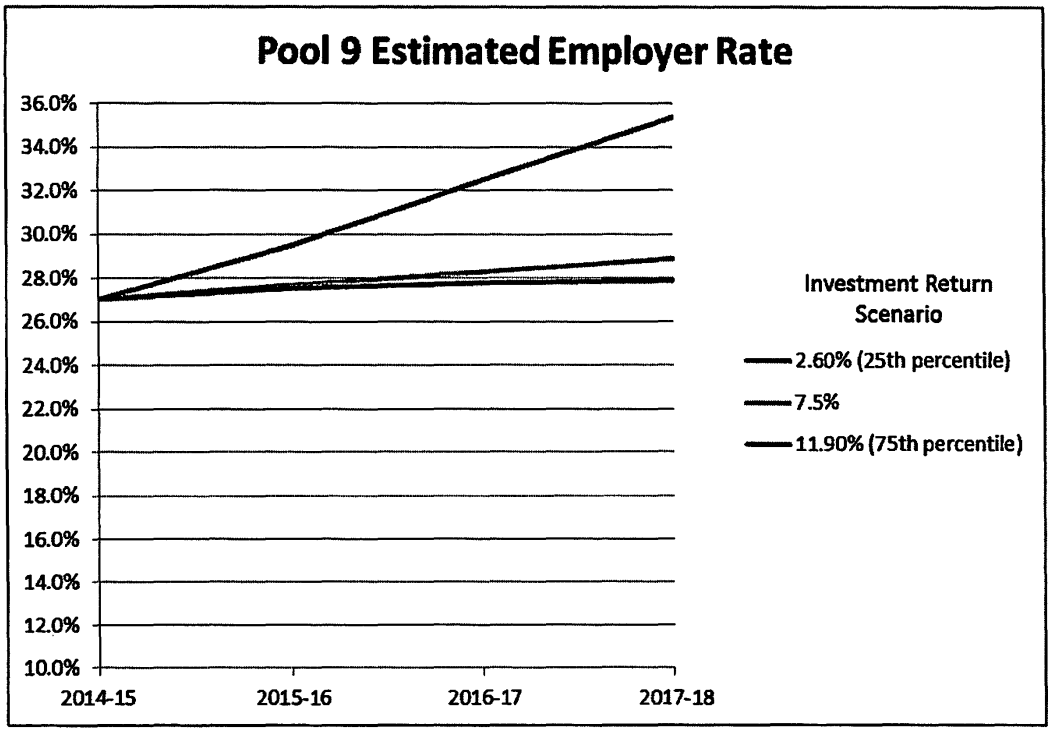
Valuation Date	Ratio of Actuarial Value to Market Value of Assets
June 30, 2004	102%
June 30, 2005	97%
June 30, 2006	94%
June 30, 2007	86%
June 30, 2008	98%
June 30, 2009	137%
June 30, 2010	127%
June 30, 2011	112%

In 2009, in order to further dampen the impact of the -24 percent investment return in 2008-09, the CalPERS Board adopted a three year phase-in of this investment loss. The phase-in was achieved by widening the corridor over a 3 year period. For the 2009 valuation, the corridor was widened to 60 percent - 140 percent. For the 2010 valuations it was reduced to 70 percent - 130 percent. For the 2011 valuations and later, the corridor is back to its original 80 percent - 120 percent. This widening of the corridor can be seen in the above table.

For the 2012 valuation, the actuarial value of assets is anticipated to be between 118 and 120 percent. This means that there will be little space left for smoothing a potential investment loss in 2012-13 fiscal year.

As a result, plans at CalPERS are currently more at risk if investment markets do not perform well. A return 10 percent below the funding assumption will see contributions rise significantly. In contrast, a return 10 percent above the funding assumption would result in rates remaining stable. The Actuarial Office began in the June 30, 2010 actuarial valuation reports to disclose this potential risk in the form of an investment return sensitivity analysis. This sensitivity analysis includes the impact on rates over the next 5 years under various investment return scenarios. These projections show that rates are more likely to increase in the event of a poor investment performance. Below we show how contribution rates would be affected under different investment return scenarios. Pool 2 is representative of Miscellaneous Plans and Pool 9 is representative of Safety Plans. Copies of all valuation reports can be found on the CalPERS website.


Pool 2 Estimated Employer Rate
36.0%
34.0%
32.0%
30.0%
28.0%
26.0%
24.0%
22.0%
20.0%
18.0%
16.0%
14.0%
12.0%
10.0%
2014-15
2015-16
2016-17
2017-18
Investment Return Scenario
2.60% (25th percentile)
7.5%
11.90% (75th percentile)


Pool 9 Estimated Employer Rate
36.0%
34.0%
32.0%
30.0%
28.0%
26.0%
24.0%
22.0%
20.0%
18.0%
16.0%
14.0%
12.0%
10.0%
2014-15
2015-16
2016-17
2017-18
Investment Return Scenario
2.60% (25th percentile)
7.5%
11.90% (75th percentile)

Amortization Payment toward the Unfunded Liability

As mentioned earlier, plans do not necessarily have to be fully funded at all times. When a plan is "behind schedule", the unfunded accrued liability (UAL) is amortized over time. The CalPERS Board has adopted Board policy ACT-96-05E regarding amortization of unfunded liabilities.

Actuarial Policy ACT-96-05E specifies that all changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and the net unamortized gain or loss is amortized as a rolling 30-year amortization with the exception of gains and losses in fiscal years 2008-09, 2009-10 and 2010-11 in which each years' gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). Also, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

There are two primary sources of potential risk when it comes to the amortization payment schedule. The first is the 30 year rolling amortization of gains and losses. This rolling 30 year amortization is done as a level percentage of expected payroll and results in a payment that represents 5.8 percent of accumulated net gains and losses (which equals the outstanding UAL, excluding the portions due to changes in benefits, assumptions or methods). The UAL in the meantime increases at 7.5 percent each year. This means that any gain or loss that occurs in a particular year may never actually be paid off unless these gains and losses offset each other over time.

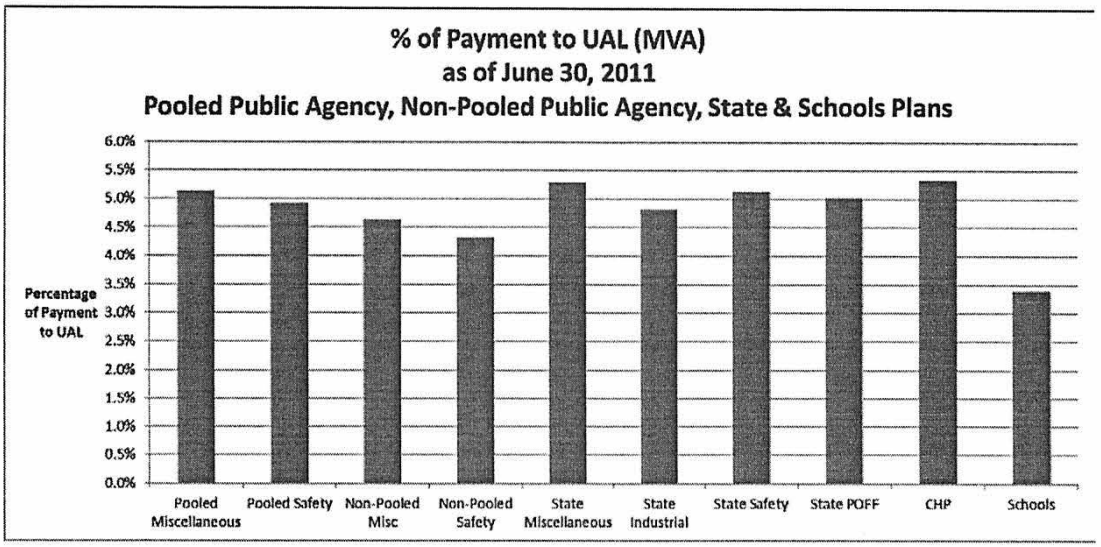
Note that for plans that are growing, the proportion of the UAL to the overall plan's accrued liability will decrease (or funded status will increase) over time and the potential risks due to the rolling amortization are probably not significant. However for those plans that have no growth and a declining membership this is not the case and the UAL could become a larger proportion of the plans' accrued liability in the absence of offsetting experience.

The second source of risk is the asset smoothing we use to determine the actuarial value of assets. The actuarial value of assets is the asset value we use to set contribution rates. In order to keep contribution rates stable, the required payment toward the UAL is based on the plan's actuarial value of assets rather than the plan's market value of assets. In times when plans have a UAL and the actuarial value of assets exceeds the market value of assets (as is currently the case), employers are making payments based on a UAL that is smaller than the one calculated using the market value of assets.

As pointed out in previous sections, if our long-term estimate of investment returns is accurate, then it is expected that there will be other times when the payments will be higher using the actuarial value of assets than under a market value (as was the case in the first few years of the policy).

Accordingly, plans that are currently paying off their UAL on a market value of assets basis will sooner be better able to handle future market downturns and be better able to meet their future obligations.

Below are listings of the amortization payment percentages of the total unfunded liabilities on a market value of asset basis for the PERF system:



As you can see from the above tables, only a very small portion of the UAL on a market value of assets basis is being paid in the current year. Most plans are paying between 4 percent and 5.5 percent toward their unfunded liability each year. Given that the discount rate assumption is currently 7.5 percent, this measure shows that employers are generally paying less than the interest on the unfunded liability and that contributions are likely to increase in the future. This is a result of the smoothing policies that we have in place currently combined with the experience of the last few years. It is an indication that contributions amounts will generally have to increase in the future.

Asset Liability Management

Over the last year, actuarial and investment staff have developed the Asset Liability Decision Making Framework (ALM Framework) to help bring the issue of funding risk into the evaluation of actuarial and investment decisions. This tool has proved very useful in bringing risk issues into the foreground.

The ALM Framework focusses on three measures of risk over an extended period of time. The measures are:

1. The probability of low funded status which is an indication of risk to the members in the event that the employer does not continue funding.

2. The probability of high levels of employer contribution rates which is an indication of financial strain on the employers and could lead to employers being unable to continue funding the benefits.
3. The probability of a large increase in employer rates in a single year, which is another indication of financial strain on the employers.

At the present time, the ALM framework is only able to provide information on a limited set of plans. Currently these plans are:

- State Miscellaneous Plan
- State Peace Officer/Firefighter Plan (State POFF)
- California Highway Patrol Plan
- The Schools Pool
- A sample (very large) public agency miscellaneous plan
- A sample (very large) public agency safety plan

The probabilities of the funded status of these plans falling below various levels at any point in the next 30 years are shown below.

Plan Name	Probability of Falling Below Given Funding Level (at any point in next 30 years)		
	30%	40%	50%
State Misc.	14%	34%	59%
Schools	11%	27%	51%
PA Misc.	10%	26%	50%
CHP	7%	27%	59%
State POFF	9%	26%	54%
PA Safety	9%	27%	54%

Because of the demands of safety jobs, safety plans are designed to accommodate earlier retirement. As such, they generally have higher required contribution levels. For this reason, we show the high contribution levels and large single year increases for safety and miscellaneous plans at different levels. The table below shows the probability of plans exceeding a specified contribution level at some point in the next 30 years.

Plan Name	Probability of Employer Contribution Rates Exceeding Given Level (at any point in next 30 years)		
	30% of Payroll	35% of Payroll	40% of Payroll
State Misc.	57%	33%	13%
Schools	11%	1%	0%
PA Misc.	24%	6%	1%
	50% of Payroll	55% of Payroll	60% of Payroll
CHP	47%	31%	17%
State POFF	18%	8%	2%
PA Safety	30%	16%	7%

Finally, the table below shows the probability of an increase in the employer contribution level above a specified level at some point in the next 30 years.

Plan Name	Probability of Employer Contribution Rates Increasing by More Than a Given Level (at any point in next 30 years)		
	3% of Payroll	5% of Payroll	7% of Payroll
State Misc.	82%	59%	29%
Schools	78%	43%	15%
PA Misc.	78%	47%	19%
	5% of Payroll	7% of Payroll	9% of Payroll
CHP	80%	62%	41%
State POFF	73%	52%	31%
PA Safety	79%	62%	41%

The tables above show that there is considerable risk in the funding of the system. Unless changes are made, it is likely that there will be a point over the next 30 years where the funded status of many plans will fall below 50%. There is a not insignificant probability that we will see funded statuses below 40%. It is likely that we will see employer contribution rates for the State Miscellaneous plan in excess of 30% of pay at some point in the next 30 years. There is almost a 50% chance of the employer contribution to the CHP plan will exceed 50% of pay over the same time period. Finally, the probability of large single year increases in employer contribution rates at some point ranges from 15% to 82% depending on the plan and the size of the increase.

If these risk levels are not acceptable, some change would be needed in the actuarial assumptions, actuarial methods or the investment policies. Any changes will impact contribution levels and other risk parameters as well.

Conclusion

The various risk measures that were analyzed all give a different perspective on the risk associated with the funding of the system. When looked at together, these risk measures show that there is considerable risk in the funding of the system.

In the short term there will be upward pressure on contribution rate levels as is indicated by the discussion about asset smoothing corridor and investment return sensitivity and the review of amortization payments relative to interest on the unfunded liability. The rates may remain high for an extended period as is shown by the current funding levels on a going concern basis. Employers are currently under significant financial stress as is shown by the unprecedented occurrence of three bankruptcies in the same year. The impact of higher contribution levels and their continuance for an extended period will be difficult for employers to bear.

As is outlined in the discussion of the volatility index, the level of assets relative to employers payroll, when combined with an investment return volatility at the levels implied by our current asset allocation, means that employers are exposed to significant gains and losses that will result in significant contribution volatility.

Pension reform will afford employers some relief in the longer term both as to level and volatility of contributions but this will be minimal in the short term.

Changes to accounting standards may affect employers' willingness to accept the current level of risks associated with the sponsoring of a defined benefit pension plan. This may result in pressure to change their risk profile by making changes to actuarial or investment policies and/or benefit levels.

The work on Asset Liability Management has shown that there remains considerable risk in the funding of the system. There is a substantial risk that, at some point over the foreseeable future, there will be periods of low funded status and high employer contribution rates. Should this coincide with a period of financial weakness for

employers or if such a period occurs before we recover from the current funding shortfall, the consequences could be very difficult to bear.

Combined, the measures discussed above indicate that employers will be under continuing financial stress for many years unless there is a period of exceptional returns in the markets.

Should this stress result in employers electing to terminate their contracts with CalPERS, there could be significant or even devastating consequences to our members as is shown by the funded status on a hypothetical termination basis. Most plans are in the 40 percent to 60 percent range on this basis.

Currently, CalPERS actuaries are reviewing and monitoring these measures on a plan by plan basis and taking appropriate action, where needed, by adjusting the funding schedule. However, changes may be needed to our actuarial policies, actuarial assumptions and/or investment policies if the risk to our members and our participating employers is to change significantly.

The Board is currently engaged in a process of reviewing the risk levels in the system. It should continue examining its comfort level with the inherent risks in the system and determine whether it wishes to take additional steps to de-risk the funding of the system. In order to reduce the level of funding risk, it would be necessary to adopt changes to actuarial and/or investment policies. Such changes would result in increased employer contribution levels (at least in the short term). Given the impact on employers and the financial strain they are under due to the current economic environment, it may be appropriate to make any changes to our actuarial and investment policies gradually.

Exhibit 3

San Bernardino's bankruptcy plan favors CalPERS

By PALOMA ESQUIVEL AND JOE MOZINGO

MAY 18, 2015, 10:33 PM

San Bernardino's plan to exit bankruptcy has at least one winner, plenty of losers and could have repercussions for other California cities.

The city will pay every penny of the almost $50 million it owes to the California Public Employee Retirement System, known as CalPERS, if a federal judge approves the plan.

But it will only pay one penny for every dollar it owes to some bondholders who helped the city pay its CalPERS bill over the years.

Retirees will lose healthcare benefits that they were promised.

Firefighters, trash collectors and workers who repair the city's soccer fields are among those who will be out of jobs if the plan goes through and the city hires outside agencies for that work.

And residents of San Bernardino, the poorest city of its size in the state, will pay more for utilities and other fees, even as roads continue to deteriorate and a shrinking police force takes longer to arrive.

These are harsh blows for a city with the lowest median income in California and a violent crime rate nearly three times the state average.

The 77-page bankruptcy plan, released last week and approved on a 6-1 vote Monday by the City Council, said it will be an ongoing challenge for San Bernardino to fund CalPERS retirements, citing actuaries' projections that rates will go up 24.2% in 2015-16 and to 32% in 2020-21 for non-safety employees and to 38.8% and 49.3% for fire and police.

City officials said they decided to pay the retirement system in full because they needed to maintain the city's relationship with the state agency to lure future employees — and because they expected CalPERS to litigate relentlessly if they didn't pay.

"They would take it all the way to the Supreme Court if they had to," City Manager Allen Parker said.

Some bankruptcy experts questioned whether it was equitable for a city to pay pension costs in full while paying only 1% to other creditors. Stockton, which exited bankruptcy in February, also agreed to pay CalPERS in full, but came to agreements with most other creditors to pay substantially more than San Bernardino will pay if the plan is approved.

"The most stark treatment of pension versus bondholders is what we're seeing in San Bernardino," said Karol K. Denniston, a public finance attorney involved in the Stockton case. "It's like [giving] a bad tip. It would almost be better to say, 'You don't get anything at all because we're broke.' "

She added that the city effectively stiffing the pension bond holders — including the Luxembourg-based bank EEPK, which sued the city to collect $50 million during bankruptcy proceedings — could send a bad signal to lenders: "This is going to be a problem for capital markets."

The City Council listened to public comments on the plan Monday.

"The residents of San Bernardino want a safer community," said Alicia Lopez, a lifelong resident. "Outsourcing ... will make San Bernardino less safe. Heck we're already experiencing less services and longer response times."

Councilman James Mulvihill said in an interview that he thought the pain was spread evenly. "Our retirees are going to be losing about $40 [million] or $50 million. They were promised free healthcare for life and we simply can't do that. Our retirees are essentially going to be losing as much as the bond holders."

He said the city needed to keep its contract with CalPERS to attract qualified employees to the city.

Councilman Henry Nickel questioned that assumption. "A major component of the plan includes contracting out. If we contract out our services, that sort of negates the point of keeping CALPERS whole in order to attract good employees."

All in all, though, he said he liked the plan.

John Jackson, a 29-year employee of the city's trash department, said he attended the meeting to "find out our fate."

Jackson, 53, is two years from the retirement age that the city negotiated in 2007-08 with non-safety employees — safety workers' unions got them a minimum retirement age of 50. Jackson fears that if the bankruptcy plan is approved, he will be out of a job. In retirement, Jackson would also lose health benefits under the proposed plan.

The job, he said, "has taken care of my family. My kids are all grown. The last one's in college."

Deanna Adams, a local business owner, said residents and city workers are paying for problems created by city officials.

"The problem with this city is the top. It's not the middle and it's not the bottom," she said. "We have a lot of potholes. We have very poor street lighting. We don't have enough public safety."

Since 2008, the city has cut hundreds of positions and deferred $200 million in essential capital maintenance. Police response time to priority calls has gone up 78%, according to officials.

Many residents in San Bernardino blame the city's staggering economic woes on years of mismanagement. City leaders say that the very structure of the government makes it difficult to manage. With an elected council, elected mayor and elected city attorney, it's been difficult to know who runs the city, according to the plan's authors, which included officials and outside consultants.

James Penman, the city attorney for 26 years, wielded outsized influence and clashed with the mayor and critics on the council until he was recalled in 2013.

The bankruptcy plan calls for a new Charter, saying the current one neutralizes executive authority, and that the roles of the council, manager, attorney and mayor "are unclear and at times, contradict each other."

The new Charter would also probably remove a controversial provision, added in 1955, that calls for the salaries of police and firefighters to be set at the average of those in 10 similar-sized cities — some of them much wealthier — instead of through collective bargaining. It is the only city in the state to set public safety wages this way. Voters rejected a measure to remove the provision in November.

Former Mayor Patrick Morris, 77, a longtime judge, says that the bankruptcy has forced the city to deal with problems that were ignored for years.

"The future is not as bleak as some would say," he said. "The only way is up."

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PROOF OF SERVICE

I am a resident of the State of California, over the age of eighteen years, and not a party to the within action. My business address is Law Offices of John Michael Jensen, 11500 West Olympic Blvd, Suite 550, Los Angeles, CA 90064-1524.

On June 18, 2015, I served the following document (s) by the method indicated below:

(1) RESPONDENT RICHARD LEWIS' REQUEST FOR JUDICIAL AND OFFICIAL NOTICE (2) DECLARATION OF RICHARD LEWIS

By placing the document (s) listed above in a sealed envelope (s) and consigning it First Class Mail through the U.S. Postal Service to the address (es) set forth below:

Wesley Kennedy
CalPERS Legal Office
P.O. Box 942707
Sacramento, CA 94229-2707

Jolena E. Grider
Sr. Assistant City Attorney
City of San Bernardino
300 N. "D" Street, 2nd floor
San Bernardino, CA 92418

I declare under penalty of perjury under the laws of the State of California that the above is true and correct. Executed on June 18, 2015, at Los Angeles, California

Griselda Montes De Oca