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EASTERN DISTRICT OF CALIFORNIA
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UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

SACRAMENTO DIVISION

In re: CITY OF STOCKTON, CALIFORNIA, Debtor.	Case No. 2012-32118 D.C. No. OHS-1 Chapter 9 **EXHIBIT K TO DECLARATION OF VANESSA BURKE IN SUPPORT OF CITY OF STOCKTON'S STATEMENT OF QUALIFICATIONS UNDER SECTION 109(C) OF THE UNITED STATES BANKRUPTCY CODE** Date: TBD Time: TBD Dept: TBD Judge: TBD

Exhibit K

Development of Accrued and Unfunded Liabilities

1.	Present Value of Projected Benefits		
	a) Active Members	$	265,456,947
	b) Transferred Members		21,827,071
	c) Terminated Members		8,228,900
	d) Members and Beneficiaries Receiving Payments		327,089,273
	e) Total	$	622,602,191
2.	Present Value of Future Employer Normal Costs	$	43,204,212
3.	Present Value of Future Employee Contributions	$	31,268,170
4.	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]	$	190,984,565
	b) Transferred Members (1b)		21,827,071
	c) Terminated Members (1c)		8,228,900
	d) Members and Beneficiaries Receiving Payments (1d)		327,089,273
	e) Total	$	548,129,809
5.	Actuarial Value of Assets	$	495,325,729
6.	Unfunded Accrued Liability [(4e) – (5)]	$	52,804,080

Development of Accrued and Unfunded Liabilities

1.	Present Value of Projected Benefits		
	a) Active Members	$	402,601,036
	b) Transferred Members		6,031,518
	c) Terminated Members		2,902,889
	d) Members and Beneficiaries Receiving Payments		503,242,164
	e) Total	$	914,777,607
2.	Present Value of Future Employer Normal Costs	$	108,408,015
3.	Present Value of Future Employee Contributions	$	48,044,031
4.	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]	$	246,148,990
	b) Transferred Members (1b)		6,031,518
	c) Terminated Members (1c)		2,902,889
	d) Members and Beneficiaries Receiving Payments (1d)		503,242,164
	e) Total	$	758,325,561
5.	Actuarial Value of Assets	$	662,601,684
6.	Unfunded Accrued Liability [(4e) – (5)]	$	95,723,877

COPY

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October 2011

MISCELLANEOUS PLAN OF THE CITY OF STOCKTON (EMPLOYER # 55)
Annual Valuation Report as of June 30, 2010

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2010 actuarial valuation report of your pension plan. This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the report with you.

Changes Since the Prior Year's Valuation

A temporary modification to our method of determining the actuarial value of assets and amortizing gains and losses was implemented for the valuations as of June 30, 2009 through June 30, 2011. The effect of those modifications continue in this valuation.

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, "Statement of Actuarial Data, Methods and Assumptions." The effect of the changes on your rate is included in the "Reconciliation of Required Employer Contributions."

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2012/2013 along with estimates of the contribution rate for 2013/2014 and 2014/2015 and the probable Superfunded status for 2013/2014. The estimated rate for 2013/2014 is based solely on a projection of the investment return for fiscal 2010/2011, namely 20.0%. The estimated rate for 2014/2015 uses the valuation assumption of 7.75% as the investment return for fiscal 2011/2012. See Appendix D, "Investment Return Sensitivity Analysis", for rate projections under a variety of investment return scenarios. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2012/2013	16.881%	NO
2013/2014	17.4% (projected)	NO
2014/2015	17.9% (projected)	N/A

Member contributions (whether paid by the employer or the employee) are in addition to the above rates.

The estimates for 2013/2014 and 2014/2015 also assume that there are no future 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 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 2013/2014 will be provided in next year's report.

ACTUARIAL VALUATION

as of June 30, 2010

for the MISCELLANEOUS PLAN of the CITY OF STOCKTON

(EMPLOYER # 55)

REQUIRED CONTRIBUTIONS FOR FISCAL YEAR July 1, 2012 – June 30, 2013

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Statement of Actuarial Data, Methods and Assumptions

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Summary of Major Benefit Options
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Investment Return Sensitivity Analysis

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Glossary of Actuarial Terms

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 MISCELLANEOUS PLAN OF THE CITY OF STOCKTON. This valuation is based on the member and financial data as of June 30, 2010 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 listed are actuaries for CalPERS. Both are members of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Kelly Sturm

KELLY STURM, ASA, MAAA
Associate Pension Actuary, CalPERS
Plan Actuary

Alan Milligan

ALAN MILLIGAN, MAAA, FCA, FSA, FCIA
Chief Actuary

HIGHLIGHTS AND EXECUTIVE SUMMARY

- PURPOSE OF THE REPORT
- REQUIRED CONTRIBUTIONS
- FUNDED STATUS
- COST AND VOLATILITY
- CHANGES SINCE THE PRIOR VALUATION

Purpose of the Report

This report presents the results of the June 30, 2010 actuarial valuation of the MISCELLANEOUS PLAN OF THE CITY OF STOCKTON of the California Public Employees' Retirement System (CalPERS). The valuation was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2010;
- certify that the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2012 through June 30, 2013 is 16.881%;
- provide actuarial information as of June 30, 2010 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2010 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to termination or 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 Contributions

	Fiscal Year 2011/2012	Fiscal Year 2012/2013
Required Employer Contributions		
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	$ 7,227,757	$ 6,358,087
Payment on the Amortization Bases	4,382,690	4,095,062
Total (not less than zero)	$ 11,610,447	$ 10,453,149
Annual Lump Sum Prepayment Option*	$ 11,185,111	$ 10,070,209
Employer Contribution Required (Percentage of Payroll)		
Payment for Normal Cost	10.546%	10.268%
Payment on the Amortization Bases	6.395%	6.613%
Total (not less than zero)	16.941%	16.881%

Funded Status

	June 30, 2009	June 30, 2010
Present Value of Projected Benefits	$ 616,224,719	$ 622,602,191
Entry Age Normal Accrued Liability	$ 535,150,533	$ 548,129,809
Actuarial Value of Assets (AVA)	478,673,431	495,325,729
Unfunded Liability (AVA)	$ 56,477,102	$ 52,804,080
Market Value of Assets (MVA)	$ 345,912,268	$ 383,364,117
Unfunded Liability (MVA)	189,238,265	164,765,692
Funded Status (MVA)	64.6%	69.9%
Superfunded Status	No	No

* Payment **must be** received by CalPERS before the first payroll of the new fiscal year and after June 30.

Rate Volatility		As of June 30, 2010
Market Value of Assets without Receivables	$	382,853,512
Payroll		56,256,198
Volatility Index		6.8

Changes since the Prior Valuation

Actuarial Assumptions

There were no changes made to the actuarial assumptions since the prior year's actuarial valuation. The only exception would be changes necessary to reflect a benefit amendment.

Actuarial Methods

A method change was adopted by the CalPERS Board in June 2009. We are in the second year of a 3-year temporary change to the asset smoothing method and the amortization of gains and losses in order to phase in the impact of the -24% investment loss experienced by CalPERS in fiscal year 2008-2009. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter
- Isolate and amortize all gains and losses during fiscal year 2008-2009, 2009-2010 and 2010-2011 over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization)

A complete description of all methods is in Appendix A. The detailed calculation of the actuarial value of assets is shown in the "Development of the Actuarial Value of Assets."

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation whose valuation date follows 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 Appendix B for a summary of the plan provisions used in the 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.

SUMMARY OF LIABILITIES AND RATES

- DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES
- (GAIN) / LOSS ANALYSIS
- SCHEDULE OF AMORTIZATION BASES
- RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS
- EMPLOYER CONTRIBUTION RATE HISTORY
- FUNDING HISTORY

Development of Accrued and Unfunded Liabilities

1.	Present Value of Projected Benefits		
	a) Active Members	$	265,456,947
	b) Transferred Members		21,827,071
	c) Terminated Members		8,228,900
	d) Members and Beneficiaries Receiving Payments		327,089,273
	e) Total	$	622,602,191
2.	Present Value of Future Employer Normal Costs	$	43,204,212
3.	Present Value of Future Employee Contributions	$	31,268,170
4.	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]	$	190,984,565
	b) Transferred Members (1b)		21,827,071
	c) Terminated Members (1c)		8,228,900
	d) Members and Beneficiaries Receiving Payments (1d)		327,089,273
	e) Total	$	548,129,809
5.	Actuarial Value of Assets	$	495,325,729
6.	Unfunded Accrued Liability [(4e) – (5)]	$	52,804,080

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, 2010).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2012/2013).

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 2012/2013		
Reason for Base	**Date Established**	**Amorti-zation Period**	**Balance 6/30/10**	**Expected Payment 2010/2011**	**Balance 6/30/11**	**Expected Payment 2011/2012**	**Balance 6/30/12**	**Scheduled Payment for 2012–2013**	**Payment as Percent-age of Payroll**
FRESH START	06/30/06	13	$14,169,930	$1,299,642	$13,919,036	$1,341,881	$13,604,853	$1,385,492	2.238%
(GAIN)/LOSS	06/30/08	30	$18,538,699	$1,113,267	$18,819,847	$1,130,150	$19,105,259	$1,147,289	1.853%
ASSUMPTION CHANGE	06/30/09	19	$11,910,960	$215,729	$12,610,127	$952,458	$12,598,735	$983,412	1.588%
SPECIAL (GAIN)/LOSS	06/30/09	29	$14,872,903	$0	$16,025,553	$962,350	$16,268,588	$993,626	1.605%
SPECIAL (GAIN)/LOSS	06/30/10	30	$(6,356,299)	$0	$(6,848,912)	$0	$(7,379,703)	$(443,158)	(0.716%)
PAYMENT (GAIN)/LOSS	06/30/10	30	$(332,113)	$(410,390)	$68,144	$(384,889)	$472,950	$28,401	0.046%
TOTAL			**$52,804,080**	**$2,218,248**	**$54,593,795**	**$4,001,950**	**$54,670,682**	**$4,095,062**	**6.613%**

The special (gain)/loss bases were established using the temporary modification recognized in the 2009, 2010 and 2011 annual valuations. Unlike the gain/loss occurring in previous and subsequent years, the gain/loss recognized in the 2009, 2010, and 2011 annual valuations will be amortized over fixed and declining 30 year periods so that these annual gain/losses will be fully paid off in 30 years.

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
2008 - 2009	10.825%	2.065%	12.890%
2009 - 2010	10.871%	2.213%	13.084%
2010 - 2011	10.844%	3.243%	14.087%
2011 - 2012	10.546%	6.395%	16.941%
2012 - 2013	10.268%	6.613%	16.881%

Funding History

The Funding History below shows the recent history of the actuarial accrued liability, the market value of assets, the actuarial value of assets, funded ratios and the annual covered payroll. The Actuarial Value of Assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the Market Value of Assets is an indicator of the short-term solvency of the plan.

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Funded Ratio AVA	Funded Ratio MVA	Annual Covered Payroll
06/30/06	$ 421,341,956	$ 370,043,659	$ 393,067,284	87.8%	93.3%	$ 53,640,119
06/30/07	453,621,297	434,989,302	500,599,835	95.9%	110.4%	57,119,972
06/30/08	491,467,308	460,950,390	467,269,585	93.8%	95.1%	66,743,768
06/30/09	535,150,533	478,673,431	345,912,268	89.4%	64.6%	62,265,227
06/30/10	548,129,809	495,325,729	383,364,117	90.4%	69.9%	56,256,198

SUMMARY OF ASSETS

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

Reconciliation of the Market Value of Assets

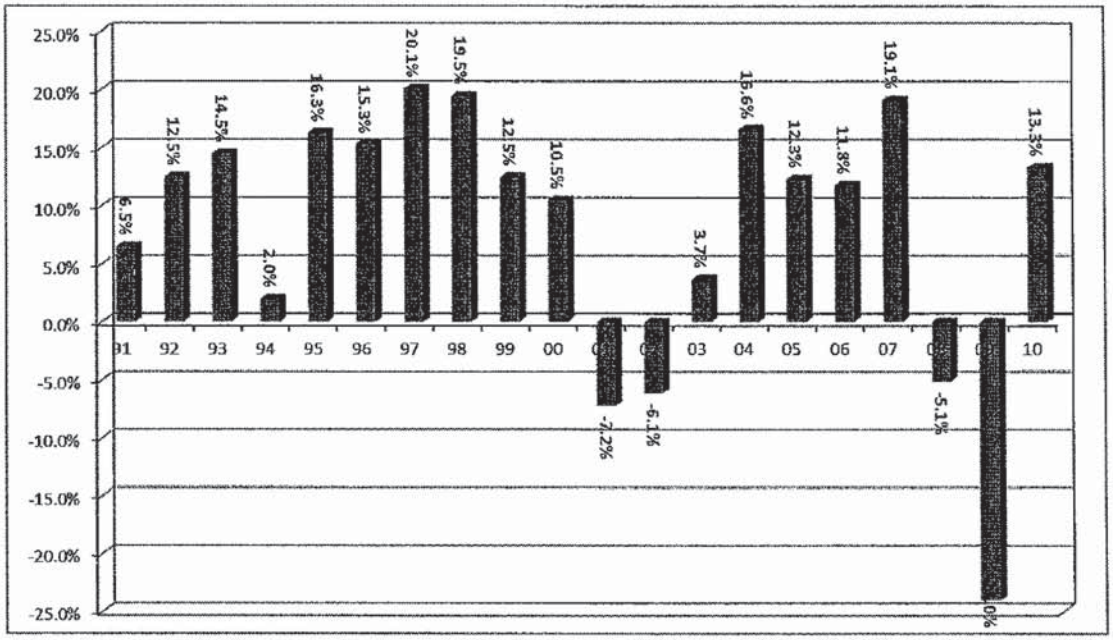
1.	Market Value of Assets as of 6/30/09 Including Receivables	$	345,912,268
2.	Receivables for Service Buybacks as of 6/30/09		567,753
3.	Market Value of Assets as of 6/30/09		345,344,515
4.	Employer Contributions		7,924,913
5.	Employee Contributions		5,069,192
6.	Benefit Payments to Retirees and Beneficiaries		(24,671,196)
7.	Refunds		(230,347)
8.	Lump Sum Payments		(20,723)
9.	Transfers and Miscellaneous Adjustments		33,975
10.	Investment Return		49,403,186
11.	Market Value of Assets as of 6/30/10	$	382,853,512
12.	Receivables for Service Buybacks as of 6/30/10		510,605
13.	Market Value of Assets as of 6/30/10 Including Receivables	$	383,364,117

Development of the Actuarial Value of Assets

1.	Actuarial Value of Assets as of 6/30/09 Used For Rate Setting Purposes	$	478,673,431
2.	Receivables for Service Buybacks as of 6/30/09		567,753
3.	Actuarial Value of Assets as of 6/30/09		478,105,678
4.	Employer Contributions		7,924,913
5.	Employee Contributions		5,069,192
6.	Benefit Payments to Retirees and Beneficiaries		(24,671,196)
7.	Refunds		(230,347)
8.	Lump Sum Payments		(20,723)
9.	Transfers and Miscellaneous Adjustments		33,975
10.	Expected Investment Income at 7.75%		36,600,890
11.	Expected Actuarial Value of Assets	$	502,812,382
12.	Market Value of Assets as of 6/30/10	$	382,853,512
13.	Preliminary Actuarial Value of Assets [(11) + ((12) – (11)) / 15]		494,815,124
14.	Maximum Actuarial Value of Assets (130% of (12))		497,709,566
15.	Minimum Actuarial Value of Assets (70% of (12))		267,997,458
16.	Actuarial Value of Assets {Lesser of [(14), Greater of ((13), (15))]}		494,815,124
17.	Actuarial Value to Market Value Ratio		129.2%
18.	Receivables for Service Buybacks as of 6/30/10		510,605
19.	Actuarial Value of Assets as of 6/30/10 Used for Rate Setting Purposes	$	495,325,729

CalPERS 20-Year History of Investment Returns

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



SUMMARY OF PARTICIPANT DATA

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

Summary of Valuation Data

	June 30, 2009	June 30, 2010
1. Active Members		
a) Counts	1,025	894
b) Average Attained Age	47.37	47.03
c) Average Entry Age to Rate Plan	35.48	35.07
d) Average Years of Service	11.89	11.96
e) Average Annual Covered Pay	$ 60,747	$ 62,926
f) Annual Covered Payroll	62,265,227	56,256,198
g) Projected Annual Payroll for Contribution Year	68,535,527	61,921,370
h) Present Value of Future Payroll	478,003,811	446,688,238
2. Transferred Members		
a) Counts	522	494
b) Average Attained Age	42.61	42.60
c) Average Years of Service	2.51	2.50
d) Average Annual Covered Pay	$ 75,566	$ 77,496
3. Terminated Members		
a) Counts	483	509
b) Average Attained Age	43.40	44.02
c) Average Years of Service	2.46	2.52
d) Average Annual Covered Pay	$ 34,505	$ 36,476
4. Retired Members and Beneficiaries		
a) Counts	1,516	1,622
b) Average Attained Age	69.64	69.37
c) Average Annual Benefits	$ 14,925	$ 15,709
5. Active to Retired Ratio	0.68	0.55

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.

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age and Service

Attained Age	Years of Service at Valuation Date 0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	4	0	0	0	0	0	4	$58,597
25-29	57	0	0	0	0	0	57	70,441
30-34	94	2	1	0	0	0	97	75,656
35-39	67	5	0	0	0	0	72	78,257
40-44	44	9	1	0	0	0	54	76,142
45-49	44	11	3	2	0	0	60	86,363
50-54	47	11	6	4	0	0	68	81,001
55-59	43	9	0	1	1	0	54	74,024
60-64	18	6	0	1	0	0	25	85,814
65 and over	3	0	0	0	0	0	3	38,769
All Ages	421	53	11	8	1	0	494	77,496

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

Attained Age	Years of Service at Valuation Date 0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	12	0	0	0	0	0	12	$27,421
25-29	73	0	0	0	0	0	73	32,025
30-34	65	0	1	0	0	0	66	37,952
35-39	51	2	1	0	0	0	54	36,784
40-44	51	10	3	0	2	0	66	41,383
45-49	51	9	2	1	1	0	64	38,698
50-54	48	9	5	1	1	0	64	38,556
55-59	38	15	1	1	1	0	56	34,657
60-64	24	8	6	0	0	0	38	32,688
65 and over	14	2	0	0	0	0	16	34,364
All Ages	427	55	19	3	5	0	509	36,476

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	435	7	13	2	0	85	542
5-9	309	10	21	0	0	62	402
10-14	193	21	4	0	0	34	252
15-19	127	29	2	4	0	10	172
20-24	90	14	1	0	0	4	109
25-29	61	8	1	0	0	20	90
30 and Over	22	11	1	1	0	19	54
All Years	1237	100	43	7	0	234	1,621

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	$22,677	$13,231	$2,138	$8,447	$0	$11,364	$20,236
5-9	19,139	8,665	4,149	0	0	9,900	16,670
10-14	15,825	13,018	1,223	0	0	8,372	14,354
15-19	13,333	8,879	227	6,767	0	17,057	12,493
20-24	9,534	5,392	78	0	0	8,773	8,887
25-29	9,757	3,608	125	0	0	6,579	8,397
30 and Over	6,785	6,350	54	31	0	5,037	5,832
All Years	$17,889	$8,843	$2,803	$6,285	$0	$9,817	$15,715

* 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.

APPENDICES

- APPENDIX A - STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS
- APPENDIX B - SUMMARY OF PRINCIPAL PLAN PROVISIONS
- APPENDIX C - GASB STATEMENT NO. 27
- APPENDIX D – INVESTMENT RETURN SENSITIVITY ANALYSIS
- APPENDIX E – GLOSSARY OF ACTUARIAL TERMS

APPENDIX A

- **STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**

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. 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. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these 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). 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.

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 of the plan to either:

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

The necessary additional contribution will be obtained by changing the amortization period of the gains and losses prior to 2009 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 already is amortized over 30 years) will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

Actuarial Assumptions

Economic Assumptions

Investment Return

7.75% compounded annually (net of expenses). This assumption is used for all plans.

Salary Growth

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

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1445	0.1265	0.1005
1	0.1215	0.1075	0.0875
2	0.1035	0.0935	0.0775
3	0.0905	0.0825	0.0695
4	0.0805	0.0735	0.0635
5	0.0725	0.0675	0.0585
10	0.0505	0.0485	0.0435
15	0.0455	0.0435	0.0385
20	0.0415	0.0395	0.0355
25	0.0385	0.0385	0.0355
30	0.0385	0.0385	0.0355

Public Agency Fire

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1075	0.1075	0.1045
1	0.0975	0.0965	0.0875
2	0.0895	0.0855	0.0725
3	0.0825	0.0775	0.0625
4	0.0765	0.0705	0.0535
5	0.0715	0.0645	0.0475
10	0.0535	0.0485	0.0375
15	0.0435	0.0415	0.0365
20	0.0395	0.0385	0.0355
25	0.0375	0.0375	0.0355
30	0.0375	0.0375	0.0355

Public Agency Police

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1115	0.1115	0.1115
1	0.0955	0.0955	0.0955
2	0.0835	0.0835	0.0805
3	0.0745	0.0725	0.0665
4	0.0675	0.0635	0.0575
5	0.0615	0.0575	0.0505
10	0.0475	0.0445	0.0365
15	0.0435	0.0415	0.0355
20	0.0395	0.0385	0.0355
25	0.0375	0.0365	0.0355
30	0.0375	0.0365	0.0355

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% will become the Non-Industrial Death rate and 1% 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

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 used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

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 used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

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

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

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

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.

Public Agency Fire 3%@50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.034	0.034	0.034	0.048	0.068	0.080
51	0.046	0.046	0.046	0.065	0.092	0.109
52	0.069	0.069	0.069	0.097	0.138	0.163
53	0.084	0.084	0.084	0.117	0.166	0.197
54	0.103	0.103	0.103	0.143	0.204	0.241
55	0.127	0.127	0.127	0.177	0.252	0.298
56	0.121	0.121	0.121	0.169	0.241	0.285
57	0.101	0.101	0.101	0.141	0.201	0.238
58	0.118	0.118	0.118	0.165	0.235	0.279
59	0.100	0.100	0.100	0.140	0.199	0.236
60	0.150	0.150	0.150	0.210	0.299	0.354
61	0.100	0.100	0.100	0.140	0.199	0.236
62	0.125	0.125	0.125	0.175	0.249	0.295
63	0.100	0.100	0.100	0.140	0.199	0.236
64	0.100	0.100	0.100	0.140	0.199	0.236
65	1.000	1.000	1.000	1.000	1.000	1.000

APPENDIX B

- **SUMMARY OF MAJOR BENEFIT OPTIONS**
- **DESCRIPTIONS OF PRINCIPAL PLAN PROVISIONS**

Summary of 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.

	Coverage Group			
	70001	70002	70401	70402
Benefit Provision				
Benefit Formula	2.0% @ 55	2.0% @ 55	2.0% @ 60	2.0% @ 60
Social Security Coverage	No	Yes	Yes	No
Full/Modified	Full	Modified	Modified	Full
Final Average Compensation Period	12 mos.	12 mos.	36 mos.	36 mos.
Sick Leave Credit	Yes	Yes	Yes	Yes
Non-Industrial Disability	Standard	Standard	Standard	Standard
Industrial Disability	No	No	No	No
Pre-Retirement Death Benefits				
Optional Settlement 2W	No	No	No	No
1959 Survivor Benefit Level	Level 4	No	No	Level 4
Special	No	No	No	No
Alternate (firefighters)	No	No	No	No
Post-Retirement Death Benefits				
Lump Sum	$500	$500	$500	$500
Survivor Allowance (PRSA)	Yes	Yes	No	No
COLA	5%	5%	2%	2%
Employee Contributions				
Contractual Employer Paid	7%	7%	No	No
Contractual Employee Cost Sharing	0%	0%	0%	0%

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DESCRIPTION OF PRINCIPAL PLAN PROVISIONS

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.

Service Retirement

Eligibility
A CalPERS 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.

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
50	0.5000%	1.092%	1.426%	2.0%	2.0%	2.0%
51	0.5667%	1.156%	1.522%	2.1%	2.14%	2.1%
52	0.6334%	1.224%	1.628%	2.2%	2.28%	2.2%
53	0.7000%	1.296%	1.742%	2.3%	2.42%	2.3%
54	0.7667%	1.376%	1.866%	2.4%	2.56%	2.4%
55	0.8334%	1.460%	2.0%	2.5%	2.7%	2.5%
56	0.9000%	1.552%	2.052%	2.5%	2.7%	2.6%
57	0.9667%	1.650%	2.104%	2.5%	2.7%	2.7%
58	1.0334%	1.758%	2.156%	2.5%	2.7%	2.8%
59	1.1000%	1.874%	2.210%	2.5%	2.7%	2.9%
60	1.1667%	2.0%	2.262%	2.5%	2.7%	3.0%
61	1.2334%	2.134%	2.314%	2.5%	2.7%	3.0%
62	1.3000%	2.272%	2.366%	2.5%	2.7%	3.0%
63	1.3667%	2.272%	2.366%	2.5%	2.7%	3.0%
64	1.4334%	2.272%	2.366%	2.5%	2.7%	3.0%
65 & Up	1.5000%	2.418%	2.418%	2.5%	2.7%	3.0%

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% 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% 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% of final compensation for the first 5 years of service, plus 1% for each additional year of service to a maximum of 50% 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% of final compensation.

The remaining 75% or 50% 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 7.75% 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, 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, and has at least 5 years of credited service (total service across all

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%.

Improved Benefit
Employers have the option of providing an improved cost-of-living adjustment of 3%, 4% or 5%. An improved COLA is not available in conjunction with the 1.5% at 65 formula.

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% 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%.
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%
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%

APPENDIX C

- **GASB STATEMENT NO. 27**

MISCELLANEOUS PLAN of the CITY OF STOCKTON
Information for Compliance with GASB Statement No. 27

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. The contribution rate for the indicated period is 16.881% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2012 to June 30, 2013. The employer and the employer's auditor are responsible for determining the NPO and the APC.

Note: If an agency elects the Annual Lump Sum Prepayment Option, the ARC for the period July 1, 2012 through June 30, 2013 is $10,070,209. If any amendments are enacted during the year the ARC will include the increase in the employer contribution due to amendment multiplied by the payroll from the effective date of the amendment.

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

	Retirement Program
Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	22 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% 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 rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. 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 complete 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 (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios		Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
				(AVA) (b)/(a)	Market Value		
06/30/06	$ 421,341,956	$ 370,043,659	$ 51,298,297	87.8%	93.3%	$ 53,640,119	95.6%
06/30/07	453,621,297	434,989,302	18,631,995	95.9%	110.4%	57,119,972	32.6%
06/30/08	491,467,308	460,950,390	30,516,918	93.8%	95.1%	66,743,768	45.7%
06/30/09	535,150,533	478,673,431	56,477,102	89.4%	64.6%	62,265,227	90.7%
06/30/10	548,129,809	495,325,729	52,804,080	90.4%	69.9%	56,256,198	93.9%

APPENDIX D

INVESTMENT RETURN SENSITIVITY ANALYSIS

Investment Return Sensitivity Analysis

In July 2011, the investment return for fiscal year 2010-2011 was estimated to be 20.7%. Note that this return is before administrative expenses and also does not reflect final investment return information for real estate and private equities. The final return information for these two asset classes is expected to be available later in October. Our estimated preliminary 20.0% return for the 2010-2011 fiscal year is good news as it will help reduce the impact of the -24% return in 2008-2009 and the impact of the three year phase in adopted by the Board in June 2009. For purposes of projecting future employer rates, we are assuming a 20% investment return for fiscal year 2010-2011.

The investment return realized during a fiscal year first affects the contribution rate for the fiscal year 2 years later. Specifically, the investment return for 2010-2011 will first be reflected in the June 30, 2011 actuarial valuation that will be used to set the 2013-2014 employer contribution rates, the 2011-2012 investment return will first be reflected in the June 30, 2012 actuarial valuation that will be used to set the 2014-2015 employer contribution rates and so forth.

Based on a 20% investment return for fiscal year 2010-2011 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 2013-2014, the effect on the 2013-2014 Employer Rate is as follows:

Estimated 2013-2014 Employer Rate	Estimated Increase in Employer Rate between 2012-2013 and 2013-2014
17.4%	0.5%

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2011-2012, 2012-2013 and 2013-2014 on the 2014-2015, 2015-2016 and 2016-2017 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, 2011 through June 30, 2014. The 5th percentile return corresponds to a -3.64% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2011 through June 30, 2014. The 25th percentile return corresponds to a 2.93% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
- The third scenario assumed the return for 2011-2012, 2012-2013, 2013-2014 would be our assumed 7.75% 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, 2011 through June 30, 2014. The 75th percentile return corresponds to a 12.25% return for each of the 2011-2012, 2012-2013 and 2013-2014 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, 2011 through June 30, 2014. The 95th percentile return corresponds to a 19.02% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.

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

2011-2014 Investment Return Scenario	Estimated Employer Rate			Estimated Increase in Employer Rate between 2013-2014 and 2016-2017
	2014-2015	2015-2016	2016-2017	
-3.64% (5th percentile)	21.8%	27.7%	32.9%	15.5%
2.93% (25th percentile)	18.1%	20.9%	23.6%	6.2%
7.75%	17.9%	18.4%	18.8%	1.4%
12.25%(75th percentile)	17.7%	17.9%	18.0%	0.6%
19.02%(95th percentile)	17.5%	17.3%	16.6%	-0.8%

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 investment return, salary growth and inflation.

Actuarial Methods

Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.

Actuarial Valuation

The determination, as of a valuation date, of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

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. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in unfunded liability due to amendments, actuarial assumption changes, actuarial methodology changes, and 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.

Entry Age

The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan or risk pool. In most cases, this is 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.

California Public Employees' Retirement System
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COPY

October 2011

SAFETY PLAN OF THE CITY OF STOCKTON (EMPLOYER # 55)
Annual Valuation Report as of June 30, 2010

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2010 actuarial valuation report of your pension plan. This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the report with you.

Changes Since the Prior Year's Valuation

A temporary modification to our method of determining the actuarial value of assets and amortizing gains and losses was implemented for the valuations as of June 30, 2009 through June 30, 2011. The effect of those modifications continue in this valuation.

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, "Statement of Actuarial Data, Methods and Assumptions." The effect of the changes on your rate is included in the "Reconciliation of Required Employer Contributions."

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2012/2013 along with estimates of the contribution rate for 2013/2014 and 2014/2015 and the probable Superfunded status for 2013/2014. The estimated rate for 2013/2014 is based solely on a projection of the investment return for fiscal 2010/2011, namely 20.0%. The estimated rate for 2014/2015 uses the valuation assumption of 7.75% as the investment return for fiscal 2011/2012. See Appendix D, "Investment Return Sensitivity Analysis", for rate projections under a variety of investment return scenarios. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2012/2013	31.790%	NO
2013/2014	32.5% (projected)	NO
2014/2015	33.2% (projected)	N/A

Member contributions (whether paid by the employer or the employee) are in addition to the above rates.

The estimates for 2013/2014 and 2014/2015 also assume that there are no future 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 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 2013/2014 will be provided in next year's report.

ACTUARIAL VALUATION

as of June 30, 2010

for the SAFETY PLAN of the CITY OF STOCKTON

(EMPLOYER # 55)

REQUIRED CONTRIBUTIONS FOR FISCAL YEAR July 1, 2012 – June 30, 2013

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Glossary of Actuarial Terms

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 STOCKTON. This valuation is based on the member and financial data as of June 30, 2010 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 listed are actuaries for CalPERS. Both are members of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Kelly Sturm

KELLY STURM, ASA, MAAA
Associate Pension Actuary, CalPERS
Plan Actuary

Alan Milligan

ALAN MILLIGAN, MAAA, FCA, FSA, FCIA
Chief Actuary

HIGHLIGHTS AND EXECUTIVE SUMMARY

- PURPOSE OF THE REPORT
- REQUIRED CONTRIBUTIONS
- FUNDED STATUS
- COST AND VOLATILITY
- CHANGES SINCE THE PRIOR VALUATION

Purpose of the Report

This report presents the results of the June 30, 2010 actuarial valuation of the SAFETY PLAN OF THE CITY OF STOCKTON of the California Public Employees' Retirement System (CalPERS). The valuation was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2010;
- certify that the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2012 through June 30, 2013 is 31.790%;
- provide actuarial information as of June 30, 2010 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2010 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to termination or 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 Contributions

	Fiscal Year 2011/2012	Fiscal Year 2012/2013
Required Employer Contributions		
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	$ 13,063,744	$ 12,470,419
Payment on the Amortization Bases	5,704,029	6,704,208
Total (not less than zero)	$ 18,767,773	$ 19,174,627
Annual Lump Sum Prepayment Option*	$ 18,080,236	$ 18,472,186
Employer Contribution Required (Percentage of Payroll)		
Payment for Normal Cost	20.255%	20.675%
Payment on the Amortization Bases	8.844%	11.115%
Total (not less than zero)	29.099%	31.790%

Funded Status

	June 30, 2009	June 30, 2010
Present Value of Projected Benefits	$ 889,036,852	$ 914,777,607
Entry Age Normal Accrued Liability	$ 724,324,197	$ 758,325,561
Actuarial Value of Assets (AVA)	644,939,577	662,601,684
Unfunded Liability (AVA)	$ 79,384,620	$ 95,723,877
Market Value of Assets (MVA)	$ 461,800,556	$ 509,873,530
Unfunded Liability (MVA)	262,523,641	248,452,031
Funded Status (MVA)	63.8%	67.2%
Superfunded Status	No	No

* Payment **must be** received by CalPERS before the first payroll of the new fiscal year and after June 30.

Rate Volatility		As of June 30, 2010
Market Value of Assets without Receivables	$	509,093,846
Payroll		54,798,082
Volatility Index		9.3

Changes since the Prior Valuation

Actuarial Assumptions

There were no changes made to the actuarial assumptions since the prior year's actuarial valuation. The only exception would be changes necessary to reflect a benefit amendment.

Actuarial Methods

A method change was adopted by the CalPERS Board in June 2009. We are in the second year of a 3-year temporary change to the asset smoothing method and the amortization of gains and losses in order to phase in the impact of the -24% investment loss experienced by CalPERS in fiscal year 2008-2009. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter
- Isolate and amortize all gains and losses during fiscal year 2008-2009, 2009-2010 and 2010-2011 over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization)

A complete description of all methods is in Appendix A. The detailed calculation of the actuarial value of assets is shown in the "Development of the Actuarial Value of Assets."

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation whose valuation date follows 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 Appendix B for a summary of the plan provisions used in the 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.

SUMMARY OF LIABILITIES AND RATES

- DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES
- (GAIN) / LOSS ANALYSIS
- SCHEDULE OF AMORTIZATION BASES
- RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS
- EMPLOYER CONTRIBUTION RATE HISTORY
- FUNDING HISTORY

Development of Accrued and Unfunded Liabilities

1.	Present Value of Projected Benefits		
	a) Active Members	$	402,601,036
	b) Transferred Members		6,031,518
	c) Terminated Members		2,902,889
	d) Members and Beneficiaries Receiving Payments		503,242,164
	e) Total	$	914,777,607
2.	Present Value of Future Employer Normal Costs	$	108,408,015
3.	Present Value of Future Employee Contributions	$	48,044,031
4.	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]	$	246,148,990
	b) Transferred Members (1b)		6,031,518
	c) Terminated Members (1c)		2,902,889
	d) Members and Beneficiaries Receiving Payments (1d)		503,242,164
	e) Total	$	758,325,561
5.	Actuarial Value of Assets	$	662,601,684
6.	Unfunded Accrued Liability [(4e) – (5)]	$	95,723,877

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, 2010).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2012/2013).

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 2012/2013		
Reason for Base	**Date Established**	**Amorti-zation Period**	**Balance 6/30/10**	**Expected Payment 2010/2011**	**Balance 6/30/11**	**Expected Payment 2011/2012**	**Balance 6/30/12**	**Scheduled Payment for 2012–2013**	**Payment as Percent-age of Payroll**
FRESH START	06/30/06	26	$22,018,851	$1,369,231	$22,304,013	$1,413,731	$22,565,083	$1,459,677	2.420%
(GAIN)/LOSS	06/30/08	30	$19,854,956	$1,192,309	$20,156,066	$1,210,391	$20,461,743	$1,228,748	2.037%
ASSUMPTION CHANGE	06/30/09	19	$14,687,074	$(772,707)	$16,627,413	$1,255,888	$16,612,392	$1,296,704	2.150%
SPECIAL (GAIN)/LOSS	06/30/09	29	$28,577,166	$0	$30,791,897	$1,849,083	$31,258,871	$1,909,179	3.165%
SPECIAL (GAIN)/LOSS	06/30/10	30	$10,881,524	$0	$11,724,842	$0	$12,633,517	$758,655	1.258%
PAYMENT (GAIN)/LOSS	06/30/10	30	$(295,694)	$(320,042)	$13,601	$(807,974)	$853,353	$51,245	0.085%
TOTAL			**$95,723,877**	**$1,468,791**	**$101,617,832**	**$4,921,119**	**$104,384,959**	**$6,704,208**	**11.115%**

The special (gain)/loss bases were established using the temporary modification recognized in the 2009, 2010 and 2011 annual valuations. Unlike the gain/loss occurring in previous and subsequent years, the gain/loss recognized in the 2009, 2010, and 2011 annual valuations will be amortized over fixed and declining 30 year periods so that these annual gain/losses will be fully paid off in 30 years.

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
2008 - 2009	19.289%	2.232%	21.521%
2009 - 2010	19.053%	2.308%	21.361%
2010 - 2011	19.193%	4.078%	23.271%
2011 - 2012	20.255%	8.844%	29.099%
2012 - 2013	20.675%	11.115%	31.790%

Funding History

The Funding History below shows the recent history of the actuarial accrued liability, the market value of assets, the actuarial value of assets, funded ratios and the annual covered payroll. The Actuarial Value of Assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the Market Value of Assets is an indicator of the short-term solvency of the plan.

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Funded Ratio AVA	Funded Ratio MVA	Annual Covered Payroll
06/30/06	$ 579,610,838	$ 462,052,280	$ 492,922,590	79.7%	85.0%	$ 52,289,374
06/30/07	619,816,290	592,315,427	677,896,511	95.6%	109.4%	54,127,744
06/30/08	664,028,434	625,633,414	630,768,567	94.2%	95.0%	56,811,031
06/30/09	724,324,197	644,939,577	461,800,556	89.0%	63.8%	58,595,623
06/30/10	758,325,561	662,601,684	509,873,530	87.4%	67.2%	54,798,082

SUMMARY OF ASSETS

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

Reconciliation of the Market Value of Assets

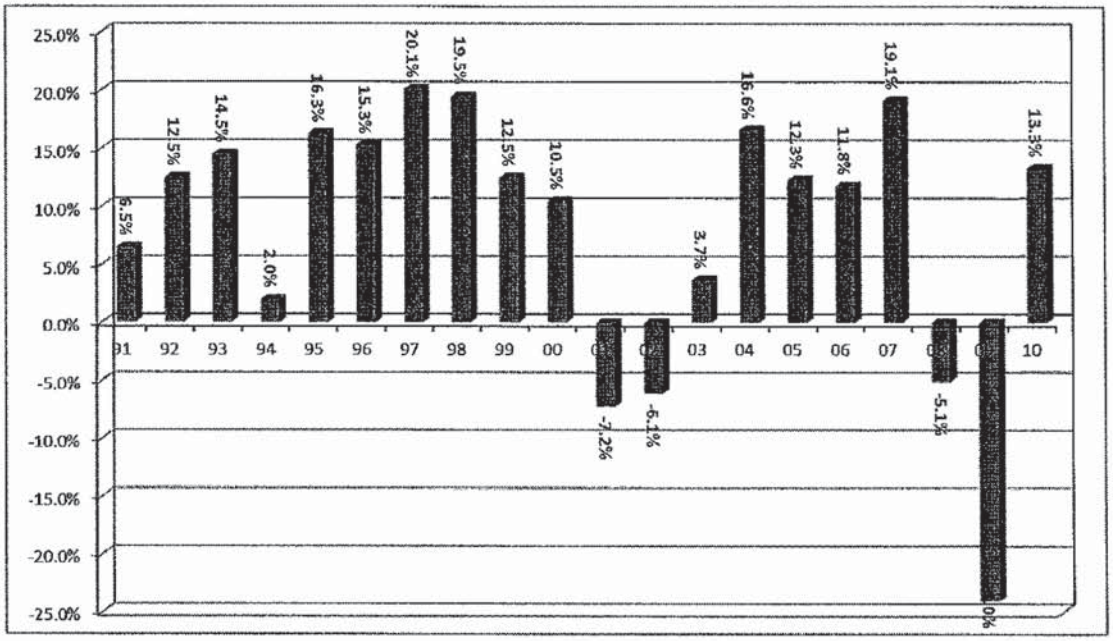
1.	Market Value of Assets as of 6/30/09 Including Receivables	$	461,800,556
2.	Receivables for Service Buybacks as of 6/30/09		909,447
3.	Market Value of Assets as of 6/30/09		460,891,109
4.	Employer Contributions		12,260,454
5.	Employee Contributions		6,044,208
6.	Benefit Payments to Retirees and Beneficiaries		(36,449,013)
7.	Refunds		(158,996)
8.	Lump Sum Payments		0
9.	Transfers and Miscellaneous Adjustments		135,047
10.	Investment Return		66,371,037
11.	Market Value of Assets as of 6/30/10	$	509,093,846
12.	Receivables for Service Buybacks as of 6/30/10		779,684
13.	Market Value of Assets as of 6/30/10 Including Receivables	$	509,873,530

Development of the Actuarial Value of Assets

1.	Actuarial Value of Assets as of 6/30/09 Used For Rate Setting Purposes	$	644,939,577
2.	Receivables for Service Buybacks as of 6/30/09		909,447
3.	Actuarial Value of Assets as of 6/30/09		644,030,130
4.	Employer Contributions		12,260,454
5.	Employee Contributions		6,044,208
6.	Benefit Payments to Retirees and Beneficiaries		(36,449,013)
7.	Refunds		(158,996)
8.	Lump Sum Payments		0
9.	Transfers and Miscellaneous Adjustments		135,047
10.	Expected Investment Income at 7.75%		49,221,450
11.	Expected Actuarial Value of Assets	$	675,083,280
12.	Market Value of Assets as of 6/30/10	$	509,093,846
13.	Preliminary Actuarial Value of Assets [(11) + ((12) – (11)) / 15]		664,017,318
14.	Maximum Actuarial Value of Assets (130% of (12))		661,822,000
15.	Minimum Actuarial Value of Assets (70% of (12))		356,365,692
16.	Actuarial Value of Assets {Lesser of [(14), Greater of ((13), (15))]}		661,822,000
17.	Actuarial Value to Market Value Ratio		130.0%
18.	Receivables for Service Buybacks as of 6/30/10		779,684
19.	Actuarial Value of Assets as of 6/30/10 Used for Rate Setting Purposes	$	662,601,684

CalPERS 20-Year History of Investment Returns

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



SUMMARY OF PARTICIPANT DATA

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

Summary of Valuation Data

	June 30, 2009	June 30, 2010
1. Active Members		
a) Counts	644	589
b) Average Attained Age	38.41	38.74
c) Average Entry Age to Rate Plan	27.34	27.25
d) Average Years of Service	11.07	11.49
e) Average Annual Covered Pay	$ 90,987	$ 93,036
f) Annual Covered Payroll	58,595,623	54,798,082
g) Projected Annual Payroll for Contribution Year	64,496,383	60,316,418
h) Present Value of Future Payroll	569,763,419	533,822,630
2. Transferred Members		
a) Counts	89	94
b) Average Attained Age	40.32	40.18
c) Average Years of Service	2.93	2.83
d) Average Annual Covered Pay	$ 80,605	$ 80,540
3. Terminated Members		
a) Counts	99	104
b) Average Attained Age	38.62	39.11
c) Average Years of Service	2.46	2.27
d) Average Annual Covered Pay	$ 50,954	$ 52,918
4. Retired Members and Beneficiaries		
a) Counts	655	690
b) Average Attained Age	64.36	64.44
c) Average Annual Benefits	$ 51,976	$ 54,891
5. Active to Retired Ratio	0.98	0.85

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.

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age and Service

Attained Age	Years of Service at Valuation Date 0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	0	0	0	0	0	0	0	$0
25-29	9	0	0	0	0	0	9	70,555
30-34	13	0	0	0	0	0	13	72,826
35-39	21	4	0	0	0	0	25	78,510
40-44	17	4	4	0	0	0	25	91,250
45-49	9	3	1	0	0	0	13	77,001
50-54	4	2	0	0	0	0	6	91,071
55-59	2	0	0	0	0	0	2	57,545
60-64	1	0	0	0	0	0	1	82,478
65 and over	0	0	0	0	0	0	0	0
All Ages	76	13	5	0	0	0	94	80,540

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

Attained Age	Years of Service at Valuation Date 0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	2	0	0	0	0	0	2	$58,363
25-29	13	0	0	0	0	0	13	52,059
30-34	18	0	0	0	0	0	18	52,786
35-39	24	1	0	1	0	0	26	54,494
40-44	16	3	1	1	0	0	21	55,645
45-49	11	1	2	0	0	0	14	52,816
50-54	5	1	1	0	0	0	7	40,462
55-59	1	0	0	0	0	0	1	27,481
60-64	1	0	0	0	0	0	1	48,963
65 and over	1	0	0	0	0	0	1	75,331
All Ages	92	6	4	2	0	0	104	52,918

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	97	1	57	0	0	25	180
5-9	71	0	72	0	0	26	169
10-14	62	2	38	0	0	13	115
15-19	32	1	45	0	3	2	83
20-24	32	0	26	0	4	3	65
25-29	28	1	10	0	2	4	45
30 and Over	6	1	10	0	0	16	33
All Years	328	6	258	0	9	89	690

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	$83,931	$9,444	$64,370	$0	$0	$33,197	$70,277
5-9	76,147	0	64,962	0	0	27,982	63,972
10-14	57,993	40,249	45,629	0	0	31,066	50,555
15-19	45,463	33,631	38,005	0	43,640	22,428	40,656
20-24	45,898	0	44,238	0	49,883	36,089	45,027
25-29	39,816	23,408	27,032	0	26,938	17,695	34,071
30 and Over	38,566	16,896	21,368	0	0	18,968	23,196
All Years	$65,284	$27,313	$52,033	$0	$42,703	$27,963	$54,891

* 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.

APPENDICES

- APPENDIX A - STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS
- APPENDIX B - SUMMARY OF PRINCIPAL PLAN PROVISIONS
- APPENDIX C - GASB STATEMENT NO. 27
- APPENDIX D – INVESTMENT RETURN SENSITIVITY ANALYSIS
- APPENDIX E – GLOSSARY OF ACTUARIAL TERMS

APPENDIX A

- **STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**

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. 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. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these 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). 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.

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 of the plan to either:

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

The necessary additional contribution will be obtained by changing the amortization period of the gains and losses prior to 2009 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 already is amortized over 30 years) will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

Actuarial Assumptions

Economic Assumptions

Investment Return

7.75% compounded annually (net of expenses). This assumption is used for all plans.

Salary Growth

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

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1445	0.1265	0.1005
1	0.1215	0.1075	0.0875
2	0.1035	0.0935	0.0775
3	0.0905	0.0825	0.0695
4	0.0805	0.0735	0.0635
5	0.0725	0.0675	0.0585
10	0.0505	0.0485	0.0435
15	0.0455	0.0435	0.0385
20	0.0415	0.0395	0.0355
25	0.0385	0.0385	0.0355
30	0.0385	0.0385	0.0355

Public Agency Fire

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1075	0.1075	0.1045
1	0.0975	0.0965	0.0875
2	0.0895	0.0855	0.0725
3	0.0825	0.0775	0.0625
4	0.0765	0.0705	0.0535
5	0.0715	0.0645	0.0475
10	0.0535	0.0485	0.0375
15	0.0435	0.0415	0.0365
20	0.0395	0.0385	0.0355
25	0.0375	0.0375	0.0355
30	0.0375	0.0375	0.0355

Public Agency Police

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1115	0.1115	0.1115
1	0.0955	0.0955	0.0955
2	0.0835	0.0835	0.0805
3	0.0745	0.0725	0.0665
4	0.0675	0.0635	0.0575
5	0.0615	0.0575	0.0505
10	0.0475	0.0445	0.0365
15	0.0435	0.0415	0.0355
20	0.0395	0.0385	0.0355
25	0.0375	0.0365	0.0355
30	0.0375	0.0365	0.0355

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% will become the Non-Industrial Death rate and 1% 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

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 used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

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 used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

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

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

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

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.

Public Agency Fire 3%@50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.034	0.034	0.034	0.048	0.068	0.080
51	0.046	0.046	0.046	0.065	0.092	0.109
52	0.069	0.069	0.069	0.097	0.138	0.163
53	0.084	0.084	0.084	0.117	0.166	0.197
54	0.103	0.103	0.103	0.143	0.204	0.241
55	0.127	0.127	0.127	0.177	0.252	0.298
56	0.121	0.121	0.121	0.169	0.241	0.285
57	0.101	0.101	0.101	0.141	0.201	0.238
58	0.118	0.118	0.118	0.165	0.235	0.279
59	0.100	0.100	0.100	0.140	0.199	0.236
60	0.150	0.150	0.150	0.210	0.299	0.354
61	0.100	0.100	0.100	0.140	0.199	0.236
62	0.125	0.125	0.125	0.175	0.249	0.295
63	0.100	0.100	0.100	0.140	0.199	0.236
64	0.100	0.100	0.100	0.140	0.199	0.236
65	1.000	1.000	1.000	1.000	1.000	1.000

APPENDIX B

- **SUMMARY OF MAJOR BENEFIT OPTIONS**
- **DESCRIPTIONS OF PRINCIPAL PLAN PROVISIONS**

Summary of 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.

	Coverage Group	
	74001	75001
Benefit Provision		
Benefit Formula	3.0% @ 50	3.0% @ 50
Social Security Coverage	No	No
Full/Modified	Full	Full
Final Average Compensation Period	12 mos.	12 mos.
Sick Leave Credit	Yes	Yes
Non-Industrial Disability	Standard	Standard
Industrial Disability	Yes	Yes
Pre-Retirement Death Benefits		
Optional Settlement 2W	No	No
1959 Survivor Benefit Level	Level 4	Level 4
Special	Yes	Yes
Alternate (firefighters)	No	No
Post-Retirement Death Benefits		
Lump Sum	$500	$500
Survivor Allowance (PRSA)	Yes	Yes
COLA	2%	2%
Employee Contributions		
Contractual Employer Paid	9%	9%
Contractual Employee Cost Sharing	0%	0%

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DESCRIPTION OF PRINCIPAL PLAN PROVISIONS

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.

Service Retirement

Eligibility
A CalPERS 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.

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
50	0.5000%	1.092%	1.426%	2.0%	2.0%	2.0%
51	0.5667%	1.156%	1.522%	2.1%	2.14%	2.1%
52	0.6334%	1.224%	1.628%	2.2%	2.28%	2.2%
53	0.7000%	1.296%	1.742%	2.3%	2.42%	2.3%
54	0.7667%	1.376%	1.866%	2.4%	2.56%	2.4%
55	0.8334%	1.460%	2.0%	2.5%	2.7%	2.5%
56	0.9000%	1.552%	2.052%	2.5%	2.7%	2.6%
57	0.9667%	1.650%	2.104%	2.5%	2.7%	2.7%
58	1.0334%	1.758%	2.156%	2.5%	2.7%	2.8%
59	1.1000%	1.874%	2.210%	2.5%	2.7%	2.9%
60	1.1667%	2.0%	2.262%	2.5%	2.7%	3.0%
61	1.2334%	2.134%	2.314%	2.5%	2.7%	3.0%
62	1.3000%	2.272%	2.366%	2.5%	2.7%	3.0%
63	1.3667%	2.272%	2.366%	2.5%	2.7%	3.0%
64	1.4334%	2.272%	2.366%	2.5%	2.7%	3.0%
65 & Up	1.5000%	2.418%	2.418%	2.5%	2.7%	3.0%

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% 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% 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% of final compensation for the first 5 years of service, plus 1% for each additional year of service to a maximum of 50% 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% of final compensation.

The remaining 75% or 50% 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 7.75% 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, 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, and has at least 5 years of credited service (total service across all

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%.

Improved Benefit
Employers have the option of providing an improved cost-of-living adjustment of 3%, 4% or 5%. An improved COLA is not available in conjunction with the 1.5% at 65 formula.

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% 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%.
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%
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%

APPENDIX C

- **GASB STATEMENT NO. 27**

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

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. The contribution rate for the indicated period is 31.790% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2012 to June 30, 2013. The employer and the employer's auditor are responsible for determining the NPO and the APC.

Note: If an agency elects the Annual Lump Sum Prepayment Option, the ARC for the period July 1, 2012 through June 30, 2013 is $18,472,186. If any amendments are enacted during the year the ARC will include the increase in the employer contribution due to amendment multiplied by the payroll from the effective date of the amendment.

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

	Retirement Program
Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	28 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% 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 rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. 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 complete 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 (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios		Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
				(AVA) (b)/(a)	Market Value		
06/30/06	$ 579,610,838	$ 462,052,280	$ 117,558,558	79.7%	85.0%	$ 52,289,374	224.8%
06/30/07	619,816,290	592,315,427	27,500,863	95.6%	109.4%	54,127,744	50.8%
06/30/08	664,028,434	625,633,414	38,395,020	94.2%	95.0%	56,811,031	67.6%
06/30/09	724,324,197	644,939,577	79,384,620	89.0%	63.8%	58,595,623	135.5%
06/30/10	758,325,561	662,601,684	95,723,877	87.4%	67.2%	54,798,082	174.7%

APPENDIX D

INVESTMENT RETURN SENSITIVITY ANALYSIS

Investment Return Sensitivity Analysis

In July 2011, the investment return for fiscal year 2010-2011 was estimated to be 20.7%. Note that this return is before administrative expenses and also does not reflect final investment return information for real estate and private equities. The final return information for these two asset classes is expected to be available later in October. Our estimated preliminary 20.0% return for the 2010-2011 fiscal year is good news as it will help reduce the impact of the -24% return in 2008-2009 and the impact of the three year phase in adopted by the Board in June 2009. For purposes of projecting future employer rates, we are assuming a 20% investment return for fiscal year 2010-2011.

The investment return realized during a fiscal year first affects the contribution rate for the fiscal year 2 years later. Specifically, the investment return for 2010-2011 will first be reflected in the June 30, 2011 actuarial valuation that will be used to set the 2013-2014 employer contribution rates, the 2011-2012 investment return will first be reflected in the June 30, 2012 actuarial valuation that will be used to set the 2014-2015 employer contribution rates and so forth.

Based on a 20% investment return for fiscal year 2010-2011 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 2013-2014, the effect on the 2013-2014 Employer Rate is as follows:

Estimated 2013-2014 Employer Rate	Estimated Increase in Employer Rate between 2012-2013 and 2013-2014
32.5%	0.7%

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2011-2012, 2012-2013 and 2013-2014 on the 2014-2015, 2015-2016 and 2016-2017 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, 2011 through June 30, 2014. The 5th percentile return corresponds to a -3.64% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2011 through June 30, 2014. The 25th percentile return corresponds to a 2.93% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
- The third scenario assumed the return for 2011-2012, 2012-2013, 2013-2014 would be our assumed 7.75% 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, 2011 through June 30, 2014. The 75th percentile return corresponds to a 12.25% return for each of the 2011-2012, 2012-2013 and 2013-2014 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, 2011 through June 30, 2014. The 95th percentile return corresponds to a 19.02% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.

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

2011-2014 Investment Return Scenario	Estimated Employer Rate			Estimated Increase in Employer Rate between 2013-2014 and 2016-2017
	2014-2015	2015-2016	2016-2017	
-3.64% (5th percentile)	39.0%	47.0%	54.1%	21.6%
2.93% (25th percentile)	34.0%	37.8%	41.5%	9.0%
7.75%	33.2%	33.9%	34.6%	2.1%
12.25%(75th percentile)	33.1%	33.4%	33.4%	0.9%
19.02%(95th percentile)	32.8%	32.5%	31.6%	-0.9%

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 investment return, salary growth and inflation.

Actuarial Methods
Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.

Actuarial Valuation
The determination, as of a valuation date, of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

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. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in unfunded liability due to amendments, actuarial assumption changes, actuarial methodology changes, and 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.

Entry Age
The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan or risk pool. In most cases, this is 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.

Actuarial Office
P.O. Box 942709
Sacramento, CA 94229-2709
Telecommunications Device for the Deaf - (916) 795-3240
(888) CalPERS (225-7377) FAX (916) 795-2744

October 2008

MISCELLANEOUS PLAN OF THE CITY OF STOCKTON (EMPLOYER # 55)
Annual Valuation Report as of June 30, 2007

Dear Employer,

Enclosed please find a copy of the June 30, 2007 actuarial valuation report of your pension plan. This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the report with you.

Changes Since the Prior Year's Valuation

There may be changes specific to your plan such as contract amendments and funding changes. There are no other material changes since the prior valuation.

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2009/2010 along with an estimate of the contribution rate and the probable Superfunded status for 2010/2011. The estimated rate for 2010/2011 is based solely on a projection of the investment return for fiscal 2007/2008, namely -2.5%. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2009/2010	13.084%	NO
2010/2011	12.9% (projected)	NO

Member contributions (whether paid by the employer or the employee) are in addition to the above rates.

The estimate for 2010/2011 also assumes that there are no future amendments and no liability gains or losses (such as from 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 effect on your contribution rate.** Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate by one or two percent, even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2010/2011 is just an estimate. Your actual rate for 2010/2011 will be provided in next year's report.

We are very busy preparing actuarial valuations for other public agencies and expect to complete all such valuations by the end of October. 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 result, we ask that, if at all possible, you wait until after October 31 to contact us with questions. If you have questions, please call (888) CalPERS (225-7377).

Sincerely,

Ronald L. Seeling, Ph.D., FCA, ASA, MAAA
Enrolled Actuary
Chief Actuary, CalPERS

ACTUARIAL VALUATION

as of June 30, 2007

for the MISCELLANEOUS PLAN of the CITY OF STOCKTON

(EMPLOYER # 55)

REQUIRED CONTRIBUTIONS FOR FISCAL YEAR July 1, 2009 – June 30, 2010

California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

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Statement Of Actuarial Data, Methods And Assumptions

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GASB Statement No. 27 for a Single Employer Defined Benefit Pension Plan

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Glossary of Actuarial Terms

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 MISCELLANEOUS PLAN OF THE CITY OF STOCKTON. This valuation is based on the member and financial data as of June 30, 2007 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 listed are actuaries for CalPERS. Both are members of the American Academy of Actuaries and Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Bill Karch, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

Ron Seeling, Ph.D., FCA, ASA, MAAA
Enrolled Actuary
Chief Actuary, CalPERS

HIGHLIGHTS AND EXECUTIVE SUMMARY

- PURPOSE OF THE REPORT
- REQUIRED CONTRIBUTIONS
- FUNDED STATUS
- COST AND VOLATILITY
- CHANGES SINCE THE PRIOR VALUATION
- SUBSEQUENT EVENTS

Purpose of the Report

This report presents the results of the June 30, 2007 actuarial valuation of the MISCELLANEOUS PLAN OF THE CITY OF STOCKTON of the California Public Employees' Retirement System (CalPERS). The valuation was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2007;
- certify the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2009 through June 30, 2010 is 13.084%;
- provide actuarial information as of June 30, 2007 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2007 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

Use of this report for other purposes may be inappropriate.

Required Contributions

	Fiscal Year 2008/2009	Fiscal Year 2009/2010
Required Employer Contributions		
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	$ 6,391,280	$ 6,834,829
Payment on the Amortization Bases	1,219,112	1,391,444
Total (not less than zero)	$ 7,610,392	$ 8,226,273
Annual Lump Sum Prepayment Option*	$ 7,331,594	$ 7,924,913
Employer Contribution Required (Percentage of Payroll)		
Payment for Normal Cost	10.825%	10.871%
Payment on the Amortization Bases	2.065%	2.213%
Total (not less than zero)	12.890%	13.084%
Required Employee Contributions (Percentage)	7.000%	7.000%

Funded Status

	June 30, 2006	June 30, 2007
Present Value of Projected Benefits	$ 497,829,266	$ 533,493,256
Entry Age Normal Accrued Liability	421,341,956	453,621,297
Actuarial Value of Assets (AVA)**	370,043,659	434,989,302
Unfunded Liability	$ 51,298,297	$ 18,631,995
Market Value of Assets (MVA)	$ 393,067,284	$ 500,599,835
Funded Status (on an MVA basis)	93.3%	110.4%
Superfunded Status	No	No

* Payment must be received by CalPERS between July 1 and July 15.

** The Actuarial Value of Assets is used to establish funding requirements, while the funded ratio based on the Market Value of Assets is a better indicator of the solvency of the plan.

Cost and Volatility

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, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future.

- There are demographic assumptions about the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- There are economic assumptions about 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 each year as we go forward. For example, the assumption for investment return is 7.75% per year. The actual asset earnings for the past 15 years at CalPERS have ranged from -7.2% to 20.1% while the 15 year compound return has been 10.4%.

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 future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost (i.e., Accrued Liability – representing 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. So, the employer rate can be computed in many different ways depending on how long one will take to pay for it. And as the first point above states; all of these results depend on all assumptions being exactly realized.

Rate Volatility

As is stated above, 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 year to year. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Plans that have higher asset to payroll ratios produce more volatile employer rates. On the following page we have shown your volatility index, a measure of the plan's potential future rate volatility. We are disclosing the ratio of accrued liability to payroll, rather than assets to payroll because the desired state for any plan is to be 100% funded (i.e., with assets equal to accrued liability). It should be noted that this ratio increases over time but generally tends to stabilize as the plan matures.

Beginning with the June 30, 2004 actuarial valuation, rate stabilization methodologies were implemented. Although there is no method that can provide perfectly stable rates, the new methods have been shown to be very effective in mitigating rate volatility. It continues to be true that a plan that has a volatility index that is three times the index of a second plan will have three times the volatility in rates as compared to the second plan. However, the amount of change has been dramatically reduced through the rate stabilization process. In most situations, the new rate stabilization policies will reduce rate volatility due to actual gains and losses about 50%.

	As of June 30, 2007
Accrued Liability	$ 453,621,297
Payroll	57,119,972
Volatility Index	7.9
Average Volatility Index for All Plans with 2.0% @ 55 Miscellaneous Retirement Formula*	4.8

* Includes pooled and non-pooled plans

Changes since the Prior Valuation

Actuarial Assumptions

There were no changes made to the actuarial assumptions since the prior year's actuarial valuation. The only exception would be changes necessary to reflect a benefit amendment.

Actuarial Methods

There were no material changes in actuarial methods since the prior year's actuarial valuation.

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation whose valuation date follows the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation whose report is dated after the amendment becomes effective.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to Appendix B for a summary of the plan provisions used in the valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the GAIN/LOSS ANALYSIS section and the effect on your employer contribution rate is shown in the RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS section of this report. 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.

Subsequent Events

There were no significant subsequent events to report in this valuation.

SUMMARY OF LIABILITIES AND RATES

- DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES
- (GAIN) / LOSS ANALYSIS
- SCHEDULE OF AMORTIZATION BASES
- DEVELOPMENT OF REQUIRED EMPLOYER CONTRIBUTIONS
- RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS
- EMPLOYER CONTRIBUTION RATE HISTORY
- FUNDING HISTORY

Development of Accrued and Unfunded Liabilities

1	Present Value of Projected Benefits		
	a) Active Members	$	272,089,802
	b) Transferred Members		22,134,081
	c) Terminated Members		11,405,122
	d) Members and Beneficiaries Receiving Payments		227,864,251
	e) Total		533,493,256
2	Present Value of Future Employer Normal Costs		47,747,107
3	Present Value of Future Employee Contributions		32,124,852
4	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]		192,217,843
	b) Transferred Members [1b]		22,134,081
	c) Terminated Members [1c]		11,405,122
	d) Members and Beneficiaries Receiving Payments [1d]		227,864,251
	e) Total		453,621,297
5	Actuarial Value of Assets (AVA)		434,989,302
6	Unfunded Accrued Liability/(Excess Assets) [(4e) - (5)]		18,631,995

(Gain)/Loss Analysis 6/30/06 – 6/30/07

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 Liability/(Excess Assets) as of 6/30/06	$	51,298,297
2.	Expected Payment on the Unfunded Liability (UL) during 2006/2007		37,213,230
3.	Interest through 6/30/07 [.0775 x (A1) – ((1.0775)^{½} - 1) x (A2)]		2,560,511
4.	Expected UL before all other changes [(A1) – (A2) + (A3)]		16,645,578
5.	Change in UL due to new plan changes		0
6.	Change in UL due to change in actuarial methods		0
7.	Change in UL due to additional contributions		0
8.	Expected UL after all other changes [(A4) + (A5) + (A6) + (A7)]		16,645,578
9.	Actual UL as of 6/30/07		18,631,995
10.	Total (Gain)/Loss for 2006/2007 [(A9) – (A8)]	$	1,986,417
B	**Contribution (Gain)/Loss for the Year**		
1.	Expected Contribution (Employer and Employee)	$	47,085,325
2.	Expected Interest on Expected Contributions		1,790,512
3.	Actual Contributions		47,677,627
4.	Expected Interest on Actual Contributions		1,813,036
5.	Contribution (Gain)/Loss [(B1) + (B2) – (B3) – (B4)]	$	(614,826)
C	**Asset (Gain)/Loss for the Year**		
1.	Actuarial Value of Assets as of 6/30/06	$	370,043,659
2.	Contributions Received		47,677,627
3.	Benefits and Refunds Paid		(18,026,385)
4.	Transfers/Misc. Adjustments		2,439
5.	Expected Int. [.0775 x (C1) + ((1.0775)^{½} - 1) x ((C2) + (C3) + (C4))]		29,806,023
6.	Expected Assets as of 6/30/07 [(C1) + (C2) + (C3) + (C4) + (C5)]		429,503,363
7.	Actual Actuarial Value of Assets as of 6/30/07		434,989,302
8.	Asset (Gain)/Loss [(C6) – (C7)]	$	(5,485,939)
D	**Liability (Gain)/Loss for the Year**		
1.	Total (Gain)/Loss (A10)	$	1,986,417
2.	Contribution (Gain)/Loss (B5)		(614,826)
3.	Asset (Gain)/Loss (C8)		(5,485,939)
4.	Liability (Gain)/Loss [(D1) – (D2) – (D3)]	$	8,087,182
Development of the (Gain)/Loss Balance as of 6/30/07			
1.	(Gain)/Loss Balance as of 6/30/06	$	0
2.	Payment Made on the Balance during 2006/2007		0
3.	Interest through 6/30/07 [.0775 x (1) – ((1.0775)$^{1/2}$ – 1) x (2)]		0
4.	Scheduled (Gain)/Loss Balance as of 6/30/07 [(1) – (2) + (3)]	$	0
5.	(Gain)/Loss for Fiscal Year ending 6/30/07 [(A10) above]		1,986,417
6.	Final (Gain)/Loss Balance as of 6/30/07 [(4) + (5)]	$	1,986,417

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, 2007).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2009/2010).

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.

							Amounts for Fiscal 2009 /2010		
Reason for Base	**Date Established**	**Amortization Period**	**Balance 6/30/07**	**Expected Payment 2007/2008**	**Balance 6/30/08**	**Expected Payment 2008/2009**	**Balance 6/30/09**	**Scheduled Payment for 2009–2010**	**Payment as Percentage of Payroll**
(GAIN)/LOSS	06/30/07	30	$1,986,417	$0	$2,140,364	$0	$2,306,243	$138,492	0.220%
PAYMENT (GAIN)/LOSS	06/30/07	30	$0	$76,505	$(79,414)	$10,320	$(96,281)	$(5,782)	(0.009%)
FRESH START	06/30/06	16	$16,645,578	$3,305,200	$14,504,724	$1,219,112	$14,363,369	$1,258,734	2.002%
TOTAL			**$18,631,995**	**$3,381,705**	**$16,565,674**	**$1,229,432**	**$16,573,331**	**$1,391,444**	**2.213%**

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Development of Required Employer Contributions

	Fiscal Year 2009/2010	
	Percentage of Projected Payroll	**Estimated $ Based On Projected Payroll**
Employer Contribution Required		
Payment for Normal Cost	10.871%	$ 6,834,829
Payment on Amortization Bases	2.213%	1,391,444
Total (not less than zero)	13.084%	8,226,273
Annual Lump Sum Prepayment Option*		7,924,913

*Prepayment must be received by CalPERS between July 1 and July 15.

Reconciliation of Required Employer Contributions

		Percentage of Projected Payroll	Estimated $ Based on Projected Payroll
1	Contribution for 7/1/08 – 6/30/09 from prior year annual report	12.890%	$ 7,610,392
2	Effect of changes since the prior year annual valuation		
	a) Effect of unexpected changes in demographics and financial results	0.194%	122,157
	b) Effect of plan changes	0.000%	0
	c) Effect of elimination of amortization base	0.000%	0
	d) Effect of change in payroll	N/A	493,724
	e) Effect of changes in Actuarial Methods or Assumptions	0.000%	0
	f) Effect of changes due to additional contributions	0.000%	0
	g) Effect of changes due to Fresh Start	0.000%	0
	h) Net effect of the changes above [Sum of (a) through (g)]	0.194%	615,881
3	Contribution for 7/1/09 – 6/30/10 [(1)+(2h)]	13.084%	8,226,273

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 history of the employer contribution rates for your plan since July 1, 2005, 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
2005 – 2006	10.817%	6.708%	17.525%
2006 – 2007	10.846%	5.529%	16.375%
2007 – 2008	10.868%	5.737%	16.605%
2008 – 2009	10.825%	2.065%	12.890%
2009 – 2010	10.871%	2.213%	13.084%

Funding History

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

Valuation Date	Accrued Liability (a)	Market Value of Assets (MVA) (b)	Funded Ratio (MVA) (b)/(a)	Annual Covered Payroll (c)
06/30/03	$ 344,933,214	$ 278,071,746	80.6%	$ 54,241,063
06/30/04	366,460,118	316,842,696	86.5%	50,602,143
06/30/05	393,457,559	355,686,113	90.4%	51,317,103
06/30/06	421,341,956	393,067,284	93.3%	53,640,119
06/30/07	453,621,297	500,599,835	110.4%	57,119,972

SUMMARY OF ASSETS

- RECONCILIATION OF THE MARKET VALUE OF ASSETS
- DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS
- ASSET ALLOCATION

Reconciliation of the Market Value of Assets

1.	Market Value of Assets as of June 30, 2006	$	393,067,284
2.	Employer Contributions		42,926,693
3.	Employee Contributions		4,750,934
4.	Benefit Payments to Retirees and Beneficiaries		(17,713,350)
5.	Refunds		(276,660)
6.	Lump Sum Payments		(36,375)
7.	Transfers and Miscellaneous Adjustments		2,439
8.	Investment Return		77,079,398
9.	Market Value of Assets as of June 30, 2007 [(1)+(2)+(3)+(4)+(5)+(6)+(7)+(8)]	$	499,800,363
10.	Receivables for Service Buybacks as of June 30, 2007		799,472
11.	Market Value of Assets as of June 30, 2007 Including Receivables for Service Buyback		500,599,835

Development of the Actuarial Value of Assets

1.	Actuarial Value of Assets as of June 30, 2006	$	370,043,659
2.	Employer Contributions		42,926,693
3.	Employee Contributions		4,750,934
4.	Benefit Payments to Retirees and Beneficiaries		(17,713,350)
5.	Refunds		(276,660)
6.	Lump Sum Payments		(36,375)
7.	Transfers and Miscellaneous Adjustments		2,439
8.	Expected Investment Income at 7.75%		29,806,023
9.	Expected Actuarial Value of Assets [(1) + (2) + (3) + (4) + (5) + (6) + (7) + (8)]	$	429,503,363
10.	Market Value of Assets as of June 30, 2007	$	500,599,835
11.	Preliminary Actuarial Value of Assets [(9) + ((10) – (9)) / 15]		434,189,830
12.	Maximum Actuarial Value of Assets (120% of (10))		599,760,436
13.	Minimum Actuarial Value of Assets (80% of (10))		399,840,290
14.	Actuarial Value of Assets {Lesser of [(12), Greater of ((11), (13))]}		434,189,830
15.	Actuarial Value to Market Value Ratio		86.9%
16.	Receivables for Service Buybacks as of June 30, 2007		799,472
17.	Actuarial Value of Assets as of June 30, 2007 Used for Rate Setting Purposes		434,989,302

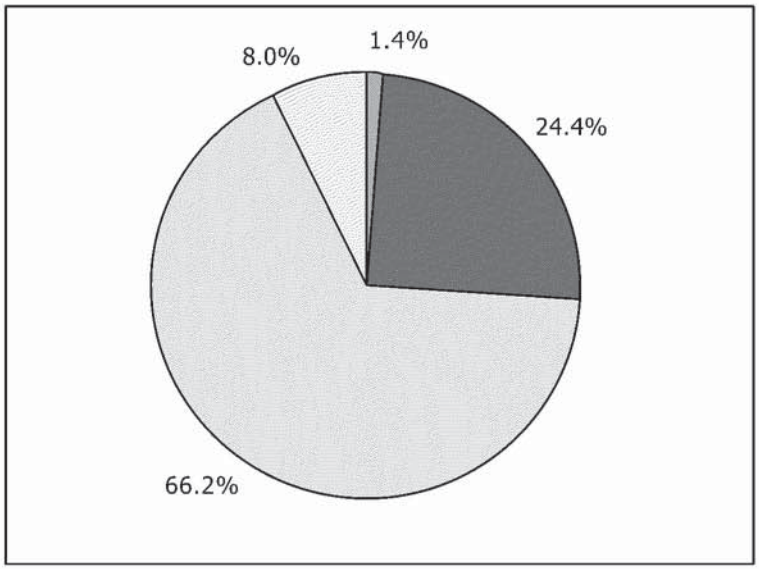
Asset Allocation

The starting point and most important element of CalPERS' successful return on investment is the asset allocation or diversification among stocks, bonds, cash and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class.

The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirely as of June 30, 2007. The assets for CITY OF STOCKTON MISCELLANEOUS PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value ($ Billion)	(C) Current Allocation	(D) Target
1) Total Cash Equivalents	3.6	1.4%	0.0%
2) Total Global Fixed Income	61.2	24.4%	26.0%
3) Total Equities	166.5	66.2%	66.0%
4) Total Real Estate	20.1	8.0%	8.0%
Total Fund	251.4	100.0%	100.0%



SUMMARY OF PARTICIPANT DATA

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

Summary of Valuation Data

	June 30, 2006	June 30, 2007
1. **Active Members**		
a) Counts	1,019	1,018
b) Average Attained Age	46.27	46.80
c) Average Entry Age to Rate Plan	34.89	35.12
d) Average Years of Service	11.38	11.68
e) Average Annual Covered Pay	$ 52,640	$ 56,110
f) Annual Covered Payroll	53,640,119	57,119,972
g) Projected Annual Payroll for Contribution Year	59,041,844	62,872,129
h) Present Value of Future Payroll	441,550,844	458,926,412
2. **Transferred Members**		
a) Counts	481	511
b) Average Attained Age	44.97	43.64
c) Average Years of Service	2.89	2.75
d) Average Annual Covered Pay	$ 69,704	$ 71,333
3. **Terminated Members**		
a) Counts	473	477
b) Average Attained Age	43.19	43.06
c) Average Years of Service	3.28	3.08
d) Average Annual Covered Pay	$ 32,873	$ 32,926
4. **Retired Members and Beneficiaries**		
a) Counts	1,390	1,434
b) Average Attained Age	69.11	69.26
c) Average Annual Benefits	$ 12,251	$ 12,711
5. **Active to Retired Ratio** [1(a)/4(a)]	0.7	0.7

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.

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
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	31	0	0	0	0	0	31
25-29	58	8	0	0	0	0	66
30-34	45	20	5	0	0	0	70
35-39	42	37	21	4	0	0	104
40-44	32	36	20	26	10	1	125
45-49	42	48	28	32	18	14	182
50-54	23	28	22	34	20	45	172
55-59	26	23	32	36	19	47	183
60-64	2	19	8	11	8	15	63
65 and over	11	5	0	5	1	0	22
All Ages	312	224	136	148	76	122	1,018

Distribution of Average Annual Salaries by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	$28,451	$0	$0	$0	$0	$0	$28,451
25-29	40,117	53,261	0	0	0	0	41,711
30-34	42,665	53,971	54,672	0	0	0	46,753
35-39	43,668	54,864	61,178	52,237	0	0	51,516
40-44	51,642	57,700	62,076	69,605	61,108	56,723	59,590
45-49	61,004	59,771	64,965	59,488	60,696	57,273	60,704
50-54	55,240	53,938	56,191	62,653	63,021	62,025	59,295
55-59	63,645	52,497	60,755	65,627	70,490	66,180	63,490
60-64	19,122	51,059	60,072	57,630	50,842	71,563	57,191
65 and over	40,757	28,327	0	58,357	55,454	0	42,600
Average	46,761	54,961	60,879	63,113	62,704	64,210	56,110

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	19	0	0	0	0	0	19	$51,577
25-29	68	1	0	0	0	0	69	59,389
30-34	54	2	1	0	0	0	57	66,495
35-39	55	5	1	0	0	0	61	66,842
40-44	38	11	0	1	0	0	50	72,492
45-49	48	11	8	2	0	0	69	86,340
50-54	77	13	3	2	0	0	95	76,277
55-59	45	21	0	1	1	0	68	76,626
60-64	11	8	1	0	0	0	20	65,682
65 and over	3	0	0	0	0	0	3	51,110
All Ages	418	72	14	6	1	0	511	71,333

Distribution of Terminated Participants with Funds on Deposit by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	28	0	0	0	0	0	28	$21,017
25-29	57	0	0	0	0	0	57	28,724
30-34	42	1	0	0	0	0	43	34,380
35-39	58	9	3	0	1	0	71	35,362
40-44	55	6	5	1	0	0	67	36,198
45-49	38	8	7	5	2	0	60	36,860
50-54	50	12	3	3	4	2	74	34,553
55-59	25	11	2	0	1	0	39	29,859
60-64	20	1	2	0	0	0	23	33,070
65 and over	13	2	0	0	0	0	15	24,817
All Ages	386	50	22	9	8	2	477	32,926

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	1	0	3	4
30-34	0	0	1	0	0	0	1
35-39	0	1	1	0	0	0	2
40-44	0	4	0	0	0	4	8
45-49	0	3	2	0	0	3	8
50-54	58	11	6	1	0	6	82
55-59	186	23	16	0	0	9	234
60-64	220	12	9	0	0	9	250
65-69	153	7	1	0	0	20	181
70-74	151	13	0	4	0	23	191
75-79	130	8	1	0	0	39	178
80-84	93	11	0	0	0	49	153
85 and Over	84	7	0	1	0	48	140
All Ages	1075	100	37	7	0	213	1,432

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	$3,701	$0	$3,598	$3,624
30-34	0	0	121	0	0	0	121
35-39	0	19,788	121	0	0	0	9,955
40-44	0	9,330	0	0	0	5,376	7,353
45-49	0	5,543	206	0	0	19,720	9,525
50-54	9,714	11,827	1,318	12,275	0	8,702	9,340
55-59	14,103	9,147	3,244	0	0	9,063	12,679
60-64	19,121	8,957	4,708	0	0	7,585	17,699
65-69	17,114	12,198	3,565	0	0	9,561	16,014
70-74	12,660	7,521	0	6,360	0	10,309	11,895
75-79	12,605	4,500	52	0	0	8,635	11,301
80-84	10,976	5,556	0	0	0	7,855	9,587
85 and Over	10,417	4,754	0	29	0	6,618	8,757
All Ages	14,379	8,352	2,877	5,920	0	8,269	12,711

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	428	8	23	2	0	71	532
5-9	206	24	6	0	0	55	291
10-14	174	16	3	2	0	27	222
15-19	112	23	3	2	0	2	142
20-24	87	17	0	0	0	18	122
25-29	54	7	2	0	0	19	82
30 and Over	14	5	0	1	0	21	41
All Years	1075	100	37	7	0	213	1,432

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	$16,751	$10,396	$3,403	$7,988	$0	$9,629	$15,095
5-9	16,649	12,400	3,848	0	0	7,859	14,373
10-14	13,861	9,342	1,475	4,754	0	10,819	12,916
15-19	10,072	7,181	167	7,965	0	6,820	9,319
20-24	9,797	4,231	0	0	0	6,010	8,463
25-29	6,578	4,463	87	0	0	5,201	5,920
30 and Over	7,948	7,333	0	29	0	6,310	6,841
All Years	14,379	8,352	2,877	5,920	0	8,269	12,711

* 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 23 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.

APPENDICES

- **APPENDIX A - STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**
- **APPENDIX B - SUMMARY OF PRINCIPAL PLAN PROVISIONS**
- **APPENDIX C - GASB STATEMENT NO. 27**
- **APPENDIX D – GLOSSARY OF ACTUARIAL TERMS**

APPENDIX A

- **STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**

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 usually 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. 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 amortized over a rolling 30 year period. Finally, 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.

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 already is 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 he deems appropriate, and will not be less than five years nor greater than 30 years.

Asset Valuation Method

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets.

Miscellaneous

Superfunded Status

If a rate plan is superfunded (actuarial value of assets exceeds the present value of benefits), as of the most recently completed annual valuation, the employer may cover their employees' member contributions (both taxed and tax-deferred) using their employer assets during the fiscal year for which this valuation applies. This would entail transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts. This change was implemented effective January 1, 1999 pursuant to Chapter 231 (Assembly Bill 2099) which added Government Code Section 20816.

Superfunded status applies only to individual plans, not risk pools. For rate plans within a risk pool, actuarial value of assets is the sum of the rate plan's side fund plus the rate plan's pro-rata share of non-side fund assets.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 were not taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code Section 401(a)(17) were taken into account in this valuation. It was determined that this change generally had minimal impact on the employer rates and no special amortization base has been created.

Actuarial Assumptions

Economic Assumptions

Investment Return

7.75% compounded annually (net of expenses). This assumption is used for all plans.

Salary Growth

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

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1445	0.1265	0.1005
1	0.1215	0.1075	0.0875
2	0.1035	0.0935	0.0775
3	0.0905	0.0825	0.0695
4	0.0805	0.0735	0.0635
5	0.0725	0.0675	0.0585
10	0.0505	0.0485	0.0435
15	0.0455	0.0435	0.0385
20	0.0415	0.0395	0.0355
25	0.0365	0.0365	0.0345
30	0.0325	0.0325	0.0325

Public Agency Fire

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1075	0.1075	0.1045
1	0.0975	0.0965	0.0875
2	0.0895	0.0855	0.0725
3	0.0825	0.0775	0.0625
4	0.0765	0.0705	0.0535
5	0.0715	0.0645	0.0475
10	0.0535	0.0485	0.0375
15	0.0435	0.0415	0.0365
20	0.0395	0.0385	0.0345
25	0.0355	0.0355	0.0335
30	0.0325	0.0325	0.0325

Public Agency Police

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1115	0.1115	0.1115
1	0.0955	0.0955	0.0955
2	0.0835	0.0835	0.0805
3	0.0745	0.0725	0.0665
4	0.0675	0.0635	0.0575
5	0.0615	0.0575	0.0505
10	0.0475	0.0445	0.0365
15	0.0435	0.0415	0.0355
20	0.0395	0.0385	0.0345
25	0.0365	0.0355	0.0335
30	0.0325	0.0325	0.0325

Public Agency County Peace Officers

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1315	0.1315	0.1315
1	0.1115	0.1085	0.1055
2	0.0965	0.0915	0.0865
3	0.0845	0.0795	0.0735
4	0.0755	0.0695	0.0635
5	0.0685	0.0625	0.0555
10	0.0485	0.0445	0.0405
15	0.0435	0.0405	0.0385
20	0.0395	0.0385	0.0365
25	0.0365	0.0355	0.0345
30	0.0325	0.0325	0.0325

- 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

3.25% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans.

Inflation

3.00% 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 3% 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

Final Average Salary is increased by 1% for those plans with the provision providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)

Final Average Salary 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.

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	0.00019	0.00009	0.00003
25	0.00027	0.00014	0.00007
30	0.00038	0.00021	0.00010
35	0.00054	0.00031	0.00013
40	0.00077	0.00046	0.00017
45	0.00110	0.00068	0.00020
50	0.00156	0.00102	0.00023
55	0.00221	0.00151	0.00027
60	0.00314	0.00226	0.00030

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% will become the Non-Industrial Death rate and 1% 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	0.00245	0.00136	0.01459	0.01129	0.00546	0.00388
55	0.00429	0.00253	0.02115	0.01481	0.00616	0.00568
60	0.00721	0.00442	0.02870	0.01884	0.01016	0.00818
65	0.01302	0.00795	0.03617	0.02356	0.01853	0.01214
70	0.02135	0.01276	0.04673	0.03020	0.03369	0.01760
75	0.03716	0.02156	0.06552	0.04298	0.05768	0.02774
80	0.06256	0.03883	0.09481	0.06514	0.08670	0.04690
85	0.10195	0.07219	0.14041	0.10269	0.13032	0.08262
90	0.17379	0.12592	0.20793	0.16189	0.19588	0.13984
95	0.25917	0.21773	0.30792	0.25522	0.29444	0.23566
100	0.34724	0.32036	0.45599	0.40236	0.44259	0.35341

Marital Status

For active members, a percentage married upon retirement is assumed according to 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 members refund immediately if non-vested, retire immediately if eligible, or retire at the earliest retirement age if not eligible.

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	0.1760	0.1691	0.1622	0.1553	0.1483	0.1414
1	0.1561	0.1492	0.1423	0.1353	0.1284	0.1215
2	0.1362	0.1293	0.1224	0.1154	0.1085	0.1016
3	0.1163	0.1094	0.1025	0.0955	0.0886	0.0817
4	0.0964	0.0895	0.0826	0.0756	0.0687	0.0618
5	0.0283	0.0257	0.0232	0.0206	0.0181	0.0155
10	0.0184	0.0161	0.0139	0.0117	0.0095	0.0073
15	0.0120	0.0102	0.0083	0.0064	0.0046	0.0027
20	0.0073	0.0057	0.0041	0.0025	0.0009	0.0002
25	0.0034	0.0022	0.0009	0.0002	0.0002	0.0002
30	0.0010	0.0002	0.0002	0.0002	0.0002	0.0002

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
0	0.0947	0.1299	0.1072
1	0.0739	0.0816	0.0841
2	0.0531	0.0348	0.0609
3	0.0323	0.0331	0.0470
4	0.0290	0.0314	0.0445
5	0.0095	0.0110	0.0156
10	0.0029	0.0068	0.0096
15	0.0021	0.0035	0.0048
20	0.0016	0.0022	0.0022
25	0.0010	0.0015	0.0010
30	0.0009	0.0012	0.0006

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

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	0.0482	0.0439	0.0395	0.0351	0.0307
10	0.0390	0.0343	0.0296	0.0249	0.0000
15	0.0326	0.0274	0.0224	0.0000	0.0000
20	0.0245	0.0192	0.0000	0.0000	0.0000
25	0.0156	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0187	0.0265
10	0.0061	0.0145	0.0204
15	0.0058	0.0094	0.0130
20	0.0053	0.0075	0.0074
25	0.0047	0.0067	0.0043
30	0.0045	0.0064	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.
- The Police Termination with vested benefits rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Non-Industrial (Not Job-Related) Disability

Rates vary by age and gender for Miscellaneous Plans.

Rates vary by age for Safety Plans.

	Miscellaneous		Fire	Police	County Peace Officer
Age	Male	Female	Male and Female	Male and Female	Male and Female
20	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0002	0.0002	0.0001	0.0001	0.0001
30	0.0002	0.0004	0.0001	0.0002	0.0001
35	0.0008	0.0010	0.0001	0.0003	0.0002
40	0.0015	0.0016	0.0001	0.0004	0.0003
45	0.0024	0.0023	0.0002	0.0005	0.0004
50	0.0037	0.0035	0.0005	0.0008	0.0007
55	0.0049	0.0041	0.0010	0.0013	0.0012
60	0.0055	0.0039	0.0015	0.0020	0.0019

- The Miscellaneous Non-Industrial Disability rates are used for Local Prosecutors.
- The Police Non-Industrial Disability rates are 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	0.0006	0.0002
25	0.0010	0.0028	0.0012
30	0.0021	0.0056	0.0025
35	0.0031	0.0084	0.0037
40	0.0041	0.0112	0.0050
45	0.0051	0.0140	0.0062
50	0.0062	0.0167	0.0075
55	0.0601	0.0581	0.0128
60	0.0601	0.0581	0.0128

- The Police Industrial Disability rates are 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% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Service Retirement

Public Agency Miscellaneous 2% @ 60

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0085	0.0120	0.0146	0.0165	0.0184	0.0206
51	0.0059	0.0082	0.0100	0.0113	0.0126	0.0142
52	0.0092	0.0129	0.0157	0.0178	0.0198	0.0222
53	0.0104	0.0146	0.0177	0.0200	0.0224	0.0251
54	0.0109	0.0154	0.0187	0.0211	0.0236	0.0264
55	0.0198	0.0279	0.0339	0.0383	0.0427	0.0479
56	0.0181	0.0254	0.0308	0.0348	0.0389	0.0436
57	0.0208	0.0292	0.0354	0.0400	0.0447	0.0501
58	0.0262	0.0368	0.0447	0.0505	0.0564	0.0632
59	0.0335	0.0471	0.0572	0.0646	0.0721	0.0809
60	0.0615	0.0865	0.1051	0.1187	0.1325	0.1485
61	0.0628	0.0883	0.1073	0.1212	0.1353	0.1517
62	0.1258	0.1767	0.2147	0.2426	0.2708	0.3036
63	0.1263	0.1775	0.2156	0.2436	0.2720	0.3049
64	0.0972	0.1366	0.1659	0.1875	0.2093	0.2346
65	0.1731	0.2432	0.2955	0.3339	0.3727	0.4178
66	0.0946	0.1330	0.1616	0.1825	0.2038	0.2284
67	0.1272	0.1787	0.2171	0.2453	0.2738	0.3069

Public Agency Miscellaneous 2% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0145	0.0184	0.0224	0.0269	0.0307	0.0366
51	0.0106	0.0135	0.0164	0.0198	0.0226	0.0269
52	0.0114	0.0145	0.0176	0.0212	0.0241	0.0287
53	0.0150	0.0190	0.0231	0.0278	0.0318	0.0378
54	0.0199	0.0252	0.0307	0.0369	0.0421	0.0502
55	0.0475	0.0604	0.0734	0.0883	0.1008	0.1200
56	0.0395	0.0502	0.0611	0.0735	0.0838	0.0998
57	0.0427	0.0542	0.0659	0.0793	0.0905	0.1078
58	0.0473	0.0601	0.0730	0.0879	0.1003	0.1194
59	0.0510	0.0648	0.0788	0.0948	0.1082	0.1287
60	0.0715	0.0908	0.1104	0.1328	0.1516	0.1804
61	0.0715	0.0908	0.1104	0.1328	0.1516	0.1805
62	0.1275	0.1620	0.1969	0.2369	0.2704	0.3219
63	0.1287	0.1636	0.1988	0.2392	0.2731	0.3250
64	0.0931	0.1182	0.1438	0.1729	0.1974	0.2350
65	0.1738	0.2209	0.2686	0.3231	0.3688	0.4390
66	0.1085	0.1378	0.1675	0.2016	0.2301	0.2739
67	0.1109	0.1409	0.1713	0.2061	0.2353	0.2801

Public Agency Miscellaneous 2.5% @ 55, 2.7% @ 55, 3% @ 60

	2.5% @ 55		2.7% @ 55		3% @ 60	
Age	Male	Female	Male	Female	Male	Female
50	0.05000	0.07000	0.05000	0.07000	0.05000	0.07000
51	0.02000	0.05000	0.02000	0.05000	0.02000	0.05000
52	0.03000	0.05000	0.03000	0.05000	0.03000	0.05000
53	0.03000	0.05000	0.03000	0.06000	0.03000	0.05000
54	0.04000	0.05000	0.04000	0.06000	0.04000	0.05000
55	0.08000	0.09000	0.09000	0.10000	0.08000	0.09000
56	0.06000	0.07000	0.07000	0.08000	0.07000	0.08000
57	0.07000	0.06000	0.08000	0.07000	0.08000	0.07000
58	0.08000	0.10000	0.08000	0.10000	0.09000	0.11000
59	0.09000	0.09000	0.10000	0.09000	0.11000	0.10000
60	0.16000	0.12000	0.17000	0.13000	0.19000	0.15000
61	0.15000	0.10000	0.16000	0.11000	0.17000	0.12000
62	0.26000	0.21000	0.28000	0.23000	0.31000	0.25000
63	0.22000	0.18000	0.23000	0.20000	0.26000	0.22000
64	0.15000	0.13000	0.16000	0.14000	0.18000	0.16000
65	0.25000	0.25000	0.27000	0.27000	0.30000	0.30000
66	0.14000	0.15000	0.15000	0.16000	0.17000	0.18000
67	0.12000	0.14000	0.13000	0.16000	0.14000	0.17000
68	0.12000	0.11000	0.13000	0.12000	0.15000	0.13000
69	0.09000	0.13000	0.10000	0.14000	0.11000	0.15000
70	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

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		

Public Agency Police 2%@ 50

	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	0.0262	0.0262	0.0262	0.0262	0.0480	0.0855
53	0.0523	0.0523	0.0523	0.0523	0.0957	0.1706
54	0.0697	0.0697	0.0697	0.0697	0.1275	0.2274
55	0.0899	0.0899	0.0899	0.0899	0.1645	0.2932
56	0.0638	0.0638	0.0638	0.0638	0.1166	0.2079
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.

Public Agency Fire 2%@50

	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	0.0173	0.0173	0.0173	0.0173	0.0267	0.0400
53	0.0465	0.0465	0.0465	0.0465	0.0716	0.1072
54	0.0638	0.0638	0.0638	0.0638	0.0983	0.1471
55	0.0868	0.0868	0.0868	0.0868	0.1336	0.2000
56	0.0779	0.0779	0.0779	0.0779	0.1200	0.1796
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

Public Agency Police 3% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0193	0.0193	0.0193	0.0193	0.0397	0.0600
51	0.0157	0.0157	0.0157	0.0157	0.0324	0.0491
52	0.0163	0.0163	0.0163	0.0163	0.0337	0.0510
53	0.0587	0.0587	0.0587	0.0587	0.1208	0.1829
54	0.0691	0.0691	0.0691	0.0691	0.1422	0.2154
55	0.1164	0.1164	0.1164	0.1164	0.2397	0.3630
56	0.0756	0.0756	0.0756	0.0756	0.1556	0.2357
57	0.0581	0.0581	0.0581	0.0581	0.1196	0.1812
58	0.0508	0.0508	0.0508	0.0508	0.1045	0.1583
59	0.0625	0.0625	0.0625	0.0625	0.1287	0.1949
60	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.

Public Agency Fire 3% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0024	0.0024	0.0024	0.0035	0.0055	0.0065
51	0.0048	0.0048	0.0048	0.0070	0.0110	0.0128
52	0.0147	0.0147	0.0147	0.0215	0.0339	0.0396
53	0.0425	0.0425	0.0425	0.0621	0.0979	0.1142
54	0.0567	0.0567	0.0567	0.0828	0.1306	0.1523
55	0.0915	0.0915	0.0915	0.1337	0.2109	0.2459
56	0.0811	0.0811	0.0811	0.1184	0.1868	0.2178
57	0.0996	0.0996	0.0996	0.1455	0.2295	0.2676
58	0.0814	0.0814	0.0814	0.1189	0.1874	0.2185
59	0.0775	0.0775	0.0775	0.1131	0.1784	0.2080
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Public Agency Police 3% @ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0435	0.0435	0.0435	0.0821	0.1208	0.1559
51	0.0385	0.0385	0.0385	0.0728	0.1071	0.1382
52	0.0614	0.0614	0.0614	0.1159	0.1705	0.2200
53	0.0689	0.0689	0.0689	0.1303	0.1916	0.2472
54	0.0710	0.0710	0.0710	0.1342	0.1974	0.2547
55	0.0898	0.0898	0.0898	0.1698	0.2497	0.3222
56	0.0687	0.0687	0.0687	0.1299	0.1910	0.2465
57	0.0803	0.0803	0.0803	0.1518	0.2232	0.2880
58	0.0791	0.0791	0.0791	0.1495	0.2198	0.2837
59	0.0820	0.0820	0.0820	0.1549	0.2279	0.2940
60	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.

Public Agency Fire 3% @ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0341	0.0341	0.0341	0.0477	0.0679	0.0804
51	0.0463	0.0463	0.0463	0.0647	0.0922	0.1091
52	0.0693	0.0693	0.0693	0.0967	0.1377	0.1630
53	0.0835	0.0835	0.0835	0.1166	0.1661	0.1965
54	0.1025	0.1025	0.1025	0.1431	0.2038	0.2412
55	0.1265	0.1265	0.1265	0.1766	0.2516	0.2977
56	0.1210	0.1210	0.1210	0.1690	0.2407	0.2848
57	0.1010	0.1010	0.1010	0.1411	0.2010	0.2378
58	0.1184	0.1184	0.1184	0.1652	0.2354	0.2786
59	0.1002	0.1002	0.1002	0.1399	0.1993	0.2358
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

APPENDIX B

- **SUMMARY OF MAJOR BENEFIT OPTIONS**
- **DESCRIPTIONS OF PRINCIPAL PLAN PROVISIONS**

Summary of 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.

	Coverage Group			
	70002	70401	70402	70001
Benefit Provision				
Benefit Formula	2.0% @ 55	2.0% @ 60	2.0% @ 60	2.0% @ 55
Social Security Coverage	yes	yes	no	no
Full/Modified	modified	modified	full	full
Final Average Compensation Period	12 mos.	36 mos.	36 mos.	12 mos.
Sick Leave Credit	yes	yes	yes	yes
Non-Industrial Disability	standard	standard	standard	standard
Industrial Disability	no	no	no	no
Pre-Retirement Death Benefits				
Optional Settlement 2W	no	no	no	no
1959 Survivor Benefit Level	no	no	level 4	level 4
Special	no	no	no	no
Alternate (firefighters)	no	no	no	no
Post-Retirement Death Benefits				
Lump Sum	$500	$500	$500	$500
Survivor Allowance (PRSA)	yes	no	no	yes
COLA	5%	2%	2%	5%
Employee Contributions				
Contractual employer paid	7%	no	no	7%
Contractual Employee Cost sharing	0%	0%	0%	0%

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DESCRIPTION OF PRINCIPAL PLAN PROVISIONS

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.

Service Retirement

Eligibility
A CalPERS 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)

Benefit
The Service Retirement benefit calculated for service earned by this group of employees 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	2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60
50	1.092%	1.426%	2.0%	2.0%	2.0%
51	1.156%	1.522%	2.1%	2.14%	2.1%
52	1.224%	1.628%	2.2%	2.28%	2.2%
53	1.296%	1.742%	2.3%	2.42%	2.3%
54	1.376%	1.866%	2.4%	2.56%	2.4%
55	1.460%	2.0%	2.5%	2.7%	2.5%
56	1.552%	2.052%	2.5%	2.7%	2.6%
57	1.650%	2.104%	2.5%	2.7%	2.7%
58	1.758%	2.156%	2.5%	2.7%	2.8%
59	1.874%	2.210%	2.5%	2.7%	2.9%
60	2.0%	2.262%	2.5%	2.7%	3.0%
61	2.134%	2.314%	2.5%	2.7%	3.0%
62	2.272%	2.366%	2.5%	2.7%	3.0%
63 & Up	2.418%	2.418%	2.5%	2.7%	3.0%

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%	2.0%	2.40%	3.0%
51	1.903%	1.522%	2.14%	2.52%	3.0%
52	2.035%	1.628%	2.28%	2.64%	3.0%
53	2.178%	1.742%	2.42%	2.76%	3.0%
54	2.333%	1.866%	2.56%	2.88%	3.0%
55 & Up	2.5%	2.0%	2.7%	3.0%	3.0%

* For this formula, the benefit factor also varies by entry age. The factors shown are for members with an entry age of 35 or larger. If entry age is less than 35, then the age 55 benefit factor is 50% 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.

- 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.

- 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% 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 member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

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% 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% 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% of final compensation for the first 5 years of service, plus 1% for each additional year of service to a maximum of 50% 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% of final compensation.

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

Improved Benefit (50% to 90% 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% or greater, with a maximum of 90%) 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% 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% 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% or 50% 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% or 50% 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 7.75% 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, 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 2 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, 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% 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% of final compensation
- if 2 eligible children: 20.0% of final compensation
- if 3 or more eligible children: 25.0% 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

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%.

Improved Benefit
Employers have the option of providing an improved cost-of-living adjustment of 3%, 4% or 5%.

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% 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%.
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, 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%
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%

The employer may choose to "pick-up" these contributions for the employees (Employer Paid Member Contributions or EPMC). An employer may also include Employee Cost Sharing in the contract, where employees contribute an additional percentage of compensation.

- Auxiliary organizations of the CSUC system may elect reduced contribution rates, in which case the offset is $317 and the contribution rate is 6% 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%.

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% 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. For more information on this benefit, go to the CalPERS website at www.calpers.ca.gov.

APPENDIX C

- **GASB STATEMENT NO. 27**

MISCELLANEOUS PLAN of the CITY OF STOCKTON
Information for Compliance with GASB Statement No. 27

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. The contribution rate for the indicated period is 13.084% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2010, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2009 to June 30, 2010. The employer and the employer's auditor are responsible for determining the NPO and the APC.

Note: If an agency elects the Annual Lump Sum Prepayment Option, the ARC for the period July 1, 2009 through June 30, 2010 is $7,924,913.

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

	Retirement Program
Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	19 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% 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 rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. 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 complete 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 value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (AVA) (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/05	$ 393,457,559	$ 345,177,129	$ 48,280,430	87.7%	90.4%	$ 51,317,103	94.1%
06/30/06	421,341,956	370,043,659	51,298,297	87.8%	93.3%	53,640,119	95.6%
06/30/07	453,621,297	434,989,302	18,631,995	95.9%	110.4%	57,119,972	32.6%

APPENDIX D

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 investment return, salary growth and inflation.

Actuarial Methods

Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.

Actuarial Valuation

The determination, as of a valuation date, of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

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. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in unfunded liability due to amendments, actuarial assumption changes, actuarial methodology changes, and 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.

Entry Age

The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan or risk pool. In most cases, this is 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.)

Excess Assets

When a plan's actuarial value of assets is greater than its accrued liability, the difference is the plan's excess assets. A plan with excess assets is said to be overfunded. The result of having excess assets is that the plan may temporarily reduce future contributions.

Fresh Start

A fresh start is the single amortization base created when multiple amortization bases are collapsed into one base and amortized over a new funding period.

Funded Status

A measure of how well funded a plan is. Or equivalently, how "on track" a plan is with respect to assets vs. accrued liabilities. We calculate a funded ratio by dividing the market value of assets by the 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.

GASB 27

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

Lump Sum Contribution

A payment made by the employer to reduce or eliminate the unfunded liability.

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 person who is responsible for the calculations necessary to properly fund a pension plan.

Prepayment Contribution

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

Present Value of Benefits

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 the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation may be waived.

Unfunded Liability

A plan with an actuarial value of assets below the accrued liability is said to have an unfunded liability and must temporarily increase contributions to get back on schedule.

Actuarial Office
P.O. Box 942709
Sacramento, CA 94229-2709
Telecommunications Device for the Deaf - (916) 795-3240
(888) CalPERS (225-7377) FAX (916) 795-2744

October 2008

SAFETY PLAN OF THE CITY OF STOCKTON (EMPLOYER # 55)
Annual Valuation Report as of June 30, 2007

Dear Employer,

Enclosed please find a copy of the June 30, 2007 actuarial valuation report of your pension plan. This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the report with you.

Changes Since the Prior Year's Valuation

There may be changes specific to your plan such as contract amendments and funding changes. There are no other material changes since the prior valuation.

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2009/2010 along with an estimate of the contribution rate and the probable Superfunded status for 2010/2011. The estimated rate for 2010/2011 is based solely on a projection of the investment return for fiscal 2007/2008, namely -2.5%. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2009/2010	21.361%	NO
2010/2011	21.2% (projected)	NO

Member contributions (whether paid by the employer or the employee) are in addition to the above rates.

The estimate for 2010/2011 also assumes that there are no future amendments and no liability gains or losses (such as from 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 effect on your contribution rate.** Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate by one or two percent, even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2010/2011 is just an estimate. Your actual rate for 2010/2011 will be provided in next year's report.

We are very busy preparing actuarial valuations for other public agencies and expect to complete all such valuations by the end of October. 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 result, we ask that, if at all possible, you wait until after October 31 to contact us with questions. If you have questions, please call (888) CalPERS (225-7377).

Sincerely,

Ronald L. Seeling, Ph.D., FCA, ASA, MAAA
Enrolled Actuary
Chief Actuary, CalPERS

ACTUARIAL VALUATION

as of June 30, 2007

for the SAFETY PLAN of the CITY OF STOCKTON

(EMPLOYER # 55)

REQUIRED CONTRIBUTIONS FOR FISCAL YEAR July 1, 2009 – June 30, 2010

California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

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Glossary of Actuarial Terms

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 STOCKTON. This valuation is based on the member and financial data as of June 30, 2007 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 listed are actuaries for CalPERS. Both are members of the American Academy of Actuaries and Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Bill Karch, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

Ron Seeling, Ph.D., FCA, ASA, MAAA
Enrolled Actuary
Chief Actuary, CalPERS

HIGHLIGHTS AND EXECUTIVE SUMMARY

- PURPOSE OF THE REPORT
- REQUIRED CONTRIBUTIONS
- FUNDED STATUS
- COST AND VOLATILITY
- CHANGES SINCE THE PRIOR VALUATION
- SUBSEQUENT EVENTS

Purpose of the Report

This report presents the results of the June 30, 2007 actuarial valuation of the SAFETY PLAN OF THE CITY OF STOCKTON of the California Public Employees' Retirement System (CalPERS). The valuation was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2007;
- certify the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2009 through June 30, 2010 is 21.361%;
- provide actuarial information as of June 30, 2007 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2007 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

Use of this report for other purposes may be inappropriate.

Required Contributions

	Fiscal Year 2008/2009	Fiscal Year 2009/2010
Required Employer Contributions		
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	$ 11,101,798	$ 11,351,506
Payment on the Amortization Bases	1,284,389	1,375,176
Total (not less than zero)	$ 12,386,187	$ 12,726,682
Annual Lump Sum Prepayment Option*	$ 11,932,433	$ 12,260,454
Employer Contribution Required (Percentage of Payroll)		
Payment for Normal Cost	19.289%	19.053%
Payment on the Amortization Bases	2.232%	2.308%
Total (not less than zero)	21.521%	21.361%
Required Employee Contributions (Percentage)	9.000%	9.000%

Funded Status

	June 30, 2006	June 30, 2007
Present Value of Projected Benefits	$ 720,563,403	$ 766,910,200
Entry Age Normal Accrued Liability	579,610,838	619,816,290
Actuarial Value of Assets (AVA)**	462,052,280	592,315,427
Unfunded Liability	$ 117,558,558	$ 27,500,863
Market Value of Assets (MVA)	$ 492,922,590	$ 677,896,511
Funded Status (on an MVA basis)	85.0%	109.4%
Superfunded Status	No	No

* Payment must be received by CalPERS between July 1 and July 15.

** The Actuarial Value of Assets is used to establish funding requirements, while the funded ratio based on the Market Value of Assets is a better indicator of the solvency of the plan.

Cost and Volatility

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, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future.

- There are demographic assumptions about the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- There are economic assumptions about 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 each year as we go forward. For example, the assumption for investment return is 7.75% per year. The actual asset earnings for the past 15 years at CalPERS have ranged from -7.2% to 20.1% while the 15 year compound return has been 10.4%.

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 future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost (i.e., Accrued Liability – representing 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. So, the employer rate can be computed in many different ways depending on how long one will take to pay for it. And as the first point above states; all of these results depend on all assumptions being exactly realized.

Rate Volatility

As is stated above, 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 year to year. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Plans that have higher asset to payroll ratios produce more volatile employer rates. On the following page we have shown your volatility index, a measure of the plan's potential future rate volatility. We are disclosing the ratio of accrued liability to payroll, rather than assets to payroll because the desired state for any plan is to be 100% funded (i.e., with assets equal to accrued liability). It should be noted that this ratio increases over time but generally tends to stabilize as the plan matures.

Beginning with the June 30, 2004 actuarial valuation, rate stabilization methodologies were implemented. Although there is no method that can provide perfectly stable rates, the new methods have been shown to be very effective in mitigating rate volatility. It continues to be true that a plan that has a volatility index that is three times the index of a second plan will have three times the volatility in rates as compared to the second plan. However, the amount of change has been dramatically reduced through the rate stabilization process. In most situations, the new rate stabilization policies will reduce rate volatility due to actual gains and losses about 50%.

		As of June 30, 2007
Accrued Liability	$	619,816,290
Payroll		54,127,744
Volatility Index		11.5
Average Volatility Index for All Plans with 3.0% @ 50 Safety Retirement Formula*		9.3

* Includes pooled and non-pooled plans

Changes since the Prior Valuation

Actuarial Assumptions

There were no changes made to the actuarial assumptions since the prior year's actuarial valuation. The only exception would be changes necessary to reflect a benefit amendment.

Actuarial Methods

There were no material changes in actuarial methods since the prior year's actuarial valuation.

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation whose valuation date follows the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation whose report is dated after the amendment becomes effective.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to Appendix B for a summary of the plan provisions used in the valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the GAIN/LOSS ANALYSIS section and the effect on your employer contribution rate is shown in the RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS section of this report. 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.

Subsequent Events

There were no significant subsequent events to report in this valuation.

SUMMARY OF LIABILITIES AND RATES

- DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES
- (GAIN) / LOSS ANALYSIS
- SCHEDULE OF AMORTIZATION BASES
- DEVELOPMENT OF REQUIRED EMPLOYER CONTRIBUTIONS
- RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS
- EMPLOYER CONTRIBUTION RATE HISTORY
- FUNDING HISTORY

Development of Accrued and Unfunded Liabilities

1	Present Value of Projected Benefits		
	a) Active Members	$	380,333,770
	b) Transferred Members		5,102,929
	c) Terminated Members		2,803,282
	d) Members and Beneficiaries Receiving Payments		378,670,219
	e) Total		766,910,200
2	Present Value of Future Employer Normal Costs		99,274,068
3	Present Value of Future Employee Contributions		47,819,842
4	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]		233,239,860
	b) Transferred Members [1b]		5,102,929
	c) Terminated Members [1c]		2,803,282
	d) Members and Beneficiaries Receiving Payments [1d]		378,670,219
	e) Total		619,816,290
5	Actuarial Value of Assets (AVA)		592,315,427
6	Unfunded Accrued Liability/(Excess Assets) [(4e) - (5)]		27,500,863

(Gain)/Loss Analysis 6/30/06 – 6/30/07

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 Liability/(Excess Assets) as of 6/30/06	$	117,558,558
2.	Expected Payment on the Unfunded Liability (UL) during 2006/2007		96,472,549
3.	Interest through 6/30/07 [.0775 x (A1) – ((1.0775)^{½} - 1) x (A2)]		5,442,231
4.	Expected UL before all other changes [(A1) – (A2) + (A3)]		26,528,240
5.	Change in UL due to new plan changes		0
6.	Change in UL due to change in actuarial methods		0
7.	Change in UL due to additional contributions		0
8.	Expected UL after all other changes [(A4) + (A5) + (A6) + (A7)]		26,528,240
9.	Actual UL as of 6/30/07		27,500,863
10.	Total (Gain)/Loss for 2006/2007 [(A9) – (A8)]	$	972,623
B	**Contribution (Gain)/Loss for the Year**		
1.	Expected Contribution (Employer and Employee)	$	111,745,434
2.	Expected Interest on Expected Contributions		4,249,341
3.	Actual Contributions		111,583,167
4.	Expected Interest on Actual Contributions		4,243,170
5.	Contribution (Gain)/Loss [(B1) + (B2) – (B3) – (B4)]	$	168,438
C	**Asset (Gain)/Loss for the Year**		
1.	Actuarial Value of Assets as of 6/30/06	$	462,052,280
2.	Contributions Received		111,583,167
3.	Benefits and Refunds Paid		(27,441,466)
4.	Transfers/Misc. Adjustments		3,956
5.	Expected Int. [.0775 x (C1) + ((1.0775)^{½} - 1) x ((C2) + (C3) + (C4))]		39,008,856
6.	Expected Assets as of 6/30/07 [(C1) + (C2) + (C3) + (C4) + (C5)]		585,206,793
7.	Actual Actuarial Value of Assets as of 6/30/07		592,315,427
8.	Asset (Gain)/Loss [(C6) – (C7)]	$	(7,108,634)
D	**Liability (Gain)/Loss for the Year**		
1.	Total (Gain)/Loss (A10)	$	972,623
2.	Contribution (Gain)/Loss (B5)		168,438
3.	Asset (Gain)/Loss (C8)		(7,108,634)
4.	Liability (Gain)/Loss [(D1) – (D2) – (D3)]	$	7,912,819
Development of the (Gain)/Loss Balance as of 6/30/07			
1.	(Gain)/Loss Balance as of 6/30/06	$	0
2.	Payment Made on the Balance during 2006/2007		0
3.	Interest through 6/30/07 [.0775 x (1) – ((1.0775)$^{1/2}$ – 1) x (2)]		0
4.	Scheduled (Gain)/Loss Balance as of 6/30/07 [(1) – (2) + (3)]	$	0
5.	(Gain)/Loss for Fiscal Year ending 6/30/07 [(A10) above]		972,623
6.	Final (Gain)/Loss Balance as of 6/30/07 [(4) + (5)]	$	972,623

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, 2007).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2009/2010).

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.

							Amounts for Fiscal 2009 /2010		
Reason for Base	**Date Established**	**Amortization Period**	**Balance 6/30/07**	**Expected Payment 2007/2008**	**Balance 6/30/08**	**Expected Payment 2008/2009**	**Balance 6/30/09**	**Scheduled Payment for 2009–2010**	**Payment as Percentage of Payroll**
(GAIN)/LOSS	06/30/07	30	$972,623	$0	$1,048,001	$0	$1,129,221	$67,811	0.114%
PAYMENT (GAIN)/LOSS	06/30/07	30	$0	$149,736	$(155,430)	$139,726	$(312,515)	$(18,767)	(0.031%)
FRESH START	06/30/06	29	$26,528,240	$6,932,251	$21,388,315	$1,284,389	$21,712,679	$1,326,132	2.226%
TOTAL			**$27,500,863**	**$7,081,987**	**$22,280,886**	**$1,424,115**	**$22,529,385**	**$1,375,176**	**2.309%**

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Development of Required Employer Contributions

	Fiscal Year 2009/2010	
	Percentage of Projected Payroll	**Estimated $ Based On Projected Payroll**
Employer Contribution Required		
Payment for Normal Cost	19.053%	$ 11,351,506
Payment on Amortization Bases	2.308%	1,375,176
Total (not less than zero)	21.361%	12,726,682
Annual Lump Sum Prepayment Option*		12,260,454

*Prepayment must be received by CalPERS between July 1 and July 15.

Reconciliation of Required Employer Contributions

		Percentage of Projected Payroll	Estimated $ Based on Projected Payroll
1	Contribution for 7/1/08 – 6/30/09 from prior year annual report	21.521%	$ 12,386,187
2	Effect of changes since the prior year annual valuation		
	a) Effect of unexpected changes in demographics and financial results	(0.160%)	(94,982)
	b) Effect of plan changes	0.000%	0
	c) Effect of elimination of amortization base	0.000%	0
	d) Effect of change in payroll	N/A	435,477
	e) Effect of changes in Actuarial Methods or Assumptions	0.000%	0
	f) Effect of changes due to additional contributions	0.000%	0
	g) Effect of changes due to Fresh Start	0.000%	0
	h) Net effect of the changes above [Sum of (a) through (g)]	(0.160%)	340,495
3	Contribution for 7/1/09 – 6/30/10 [(1)+(2h)]	21.361%	12,726,682

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 history of the employer contribution rates for your plan since July 1, 2005, 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
2005 – 2006	19.208%	15.506%	34.714%
2006 – 2007	19.412%	12.726%	32.138%
2007 – 2008	19.364%	12.361%	31.725%
2008 – 2009	19.289%	2.232%	21.521%
2009 – 2010	19.053%	2.308%	21.361%

Funding History

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

Valuation Date	Accrued Liability (a)	Market Value of Assets (MVA) (b)	Funded Ratio (MVA) (b)/(a)	Annual Covered Payroll (c)
06/30/03	$ 473,038,190	$ 346,074,812	73.2%	$ 43,816,129
06/30/04	504,302,910	395,438,386	78.4%	45,115,799
06/30/05	536,142,694	443,374,386	82.7%	48,325,899
06/30/06	579,610,838	492,922,590	85.0%	52,289,374
06/30/07	619,816,290	677,896,511	109.4%	54,127,744

SUMMARY OF ASSETS

- RECONCILIATION OF THE MARKET VALUE OF ASSETS
- DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS
- ASSET ALLOCATION

Reconciliation of the Market Value of Assets

1.	Market Value of Assets as of June 30, 2006	$	492,922,590
2.	Employer Contributions		104,912,554
3.	Employee Contributions		6,670,613
4.	Benefit Payments to Retirees and Beneficiaries		(27,198,749)
5.	Refunds		(242,717)
6.	Lump Sum Payments		0
7.	Transfers and Miscellaneous Adjustments		3,956
8.	Investment Return		99,832,565
9.	Market Value of Assets as of June 30, 2007 [(1)+(2)+(3)+(4)+(5)+(6)+(7)+(8)]	$	676,900,812
10.	Receivables for Service Buybacks as of June 30, 2007		995,699
11.	Market Value of Assets as of June 30, 2007 Including Receivables for Service Buyback		677,896,511

Development of the Actuarial Value of Assets

1.	Actuarial Value of Assets as of June 30, 2006	$	462,052,280
2.	Employer Contributions		104,912,554
3.	Employee Contributions		6,670,613
4.	Benefit Payments to Retirees and Beneficiaries		(27,198,749)
5.	Refunds		(242,717)
6.	Lump Sum Payments		0
7.	Transfers and Miscellaneous Adjustments		3,956
8.	Expected Investment Income at 7.75%		39,008,856
9.	Expected Actuarial Value of Assets [(1) + (2) + (3) + (4) + (5) + (6) + (7) + (8)]	$	585,206,793
10.	Market Value of Assets as of June 30, 2007	$	677,896,511
11.	Preliminary Actuarial Value of Assets [(9) + ((10) – (9)) / 15]		591,319,728
12.	Maximum Actuarial Value of Assets (120% of (10))		812,280,974
13.	Minimum Actuarial Value of Assets (80% of (10))		541,520,650
14.	Actuarial Value of Assets {Lesser of [(12), Greater of ((11), (13))]}		591,319,728
15.	Actuarial Value to Market Value Ratio		87.4%
16.	Receivables for Service Buybacks as of June 30, 2007		995,699
17.	Actuarial Value of Assets as of June 30, 2007 Used for Rate Setting Purposes		592,315,427

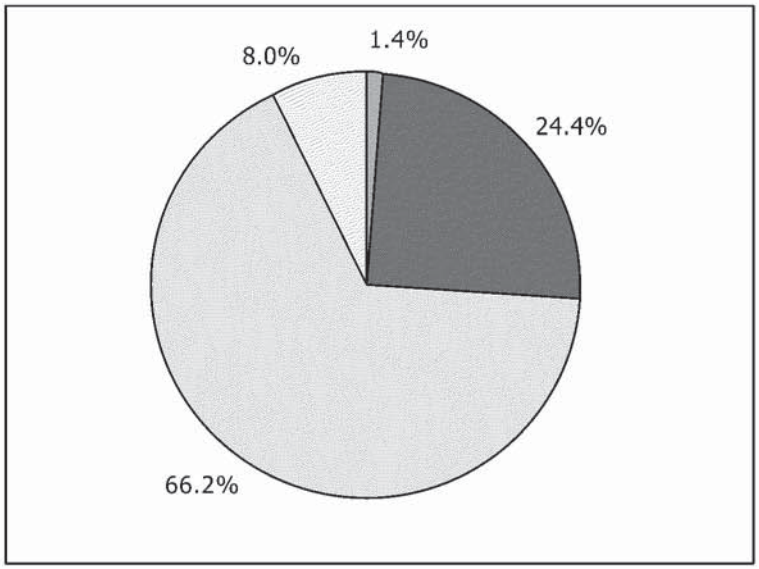
Asset Allocation

The starting point and most important element of CalPERS' successful return on investment is the asset allocation or diversification among stocks, bonds, cash and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class.

The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirely as of June 30, 2007. The assets for CITY OF STOCKTON SAFETY PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value ($ Billion)	(C) Current Allocation	(D) Target
1) Total Cash Equivalents	3.6	1.4%	0.0%
2) Total Global Fixed Income	61.2	24.4%	26.0%
3) Total Equities	166.5	66.2%	66.0%
4) Total Real Estate	20.1	8.0%	8.0%
Total Fund	251.4	100.0%	100.0%



SUMMARY OF PARTICIPANT DATA

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

Summary of Valuation Data

	June 30, 2006	June 30, 2007
1. **Active Members**		
a) Counts	638	643
b) Average Attained Age	38.55	38.22
c) Average Entry Age to Rate Plan	27.66	27.47
d) Average Years of Service	10.89	10.75
e) Average Annual Covered Pay	$ 81,958	$ 84,180
f) Annual Covered Payroll	52,289,374	54,127,744
g) Projected Annual Payroll for Contribution Year	57,555,075	59,578,574
h) Present Value of Future Payroll	505,672,215	531,331,644
2. **Transferred Members**		
a) Counts	77	80
b) Average Attained Age	40.13	40.32
c) Average Years of Service	2.61	3.14
d) Average Annual Covered Pay	$ 71,625	$ 75,774
3. **Terminated Members**		
a) Counts	87	85
b) Average Attained Age	37.88	37.96
c) Average Years of Service	2.92	2.28
d) Average Annual Covered Pay	$ 48,441	$ 47,880
4. **Retired Members and Beneficiaries**		
a) Counts	585	615
b) Average Attained Age	64.06	63.91
c) Average Annual Benefits	$ 44,860	$ 46,758
5. **Active to Retired Ratio** [1(a)/4(a)]	1.1	1.0

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.

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
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	23	1	0	0	0	0	24
25-29	81	20	0	0	0	0	101
30-34	39	47	14	0	0	0	100
35-39	39	42	58	26	0	0	165
40-44	4	16	36	43	14	1	114
45-49	2	3	13	22	29	12	81
50-54	0	1	8	7	14	14	44
55-59	0	0	0	2	5	7	14
60-64	0	0	0	0	0	0	0
65 and over	0	0	0	0	0	0	0
All Ages	188	130	129	100	62	34	643

Distribution of Average Annual Salaries by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	$54,415	$92,051	$0	$0	$0	$0	$55,983
25-29	59,874	76,928	0	0	0	0	63,251
30-34	62,710	83,527	84,066	0	0	0	75,484
35-39	62,764	81,162	89,020	95,623	0	0	81,854
40-44	54,654	80,202	90,642	99,639	117,468	109,785	94,770
45-49	66,469	82,025	91,804	97,612	104,282	116,463	100,515
50-54	0	83,638	86,647	100,822	103,246	138,653	110,663
55-59	0	0	0	84,734	112,732	113,376	109,054
60-64	0	0	0	0	0	0	0
65 and over	0	0	0	0	0	0	0
Average	60,353	81,370	89,069	97,934	107,707	124,768	84,180

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	0	0	0	0	0	0	0	$0
25-29	5	0	0	0	0	0	5	66,296
30-34	10	1	0	0	0	0	11	66,890
35-39	21	6	3	0	0	0	30	75,622
40-44	9	2	1	0	0	0	12	71,889
45-49	11	3	0	0	0	0	14	73,928
50-54	5	0	0	1	0	0	6	95,957
55-59	1	0	0	0	0	0	1	83,067
60-64	1	0	0	0	0	0	1	169,494
65 and over	0	0	0	0	0	0	0	0
All Ages	63	12	4	1	0	0	80	75,774

Distribution of Terminated Participants with Funds on Deposit by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	0	0	0	0	0	0	0	$0
25-29	13	0	0	0	0	0	13	46,939
30-34	19	0	0	0	0	0	19	50,379
35-39	18	3	1	0	0	0	22	46,191
40-44	12	2	2	0	0	0	16	49,450
45-49	7	1	0	0	0	0	8	41,520
50-54	2	1	1	0	0	0	4	35,363
55-59	1	1	0	0	0	0	2	73,025
60-64	1	0	0	0	0	0	1	75,331
65 and over	0	0	0	0	0	0	0	0
All Ages	73	8	4	0	0	0	85	47,880

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	1	1	2
30-34	0	0	1	0	0	0	1
35-39	0	1	13	0	0	0	14
40-44	0	0	21	0	0	0	21
45-49	0	1	17	0	2	1	21
50-54	31	0	28	0	1	4	64
55-59	51	0	41	0	0	5	97
60-64	71	2	51	0	3	10	137
65-69	42	1	30	0	1	9	83
70-74	38	1	14	0	1	13	67
75-79	31	0	6	0	0	16	53
80-84	18	0	3	0	0	9	30
85 and Over	5	0	2	0	1	17	25
All Ages	287	6	227	0	10	85	615

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	$9,649	$13,603	$11,626
30-34	0	0	21,224	0	0	0	21,224
35-39	0	8,300	30,933	0	0	0	29,316
40-44	0	0	32,767	0	0	0	32,767
45-49	0	11,778	30,849	0	65,473	48,291	34,069
50-54	67,234	0	52,267	0	84,329	50,068	59,880
55-59	72,303	0	53,688	0	0	16,257	61,546
60-64	62,001	40,030	50,517	0	27,009	29,827	54,291
65-69	53,632	31,693	46,163	0	27,412	30,508	47,845
70-74	40,477	22,143	50,056	0	31,931	28,958	39,843
75-79	35,030	0	37,611	0	0	18,400	30,302
80-84	34,570	0	39,892	0	0	17,242	29,904
85 and Over	34,849	0	20,143	0	22,960	16,268	20,562
All Ages	55,216	25,662	45,587	0	38,825	23,752	46,758

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	78	1	64	0	1	30	174
5-9	78	1	54	0	0	15	148
10-14	36	2	38	0	2	12	90
15-19	39	0	41	0	4	2	86
20-24	35	1	13	0	2	4	55
25-29	15	1	10	0	1	5	32
30 and Over	6	0	7	0	0	17	30
All Years	287	6	227	0	10	85	615

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	$71,329	$8,300	$59,394	$0	$9,649	$29,948	$59,088
5-9	61,747	64,078	49,437	0	0	17,965	52,834
10-14	47,276	21,736	38,637	0	44,586	27,605	40,378
15-19	45,859	0	39,874	0	51,641	27,815	42,855
20-24	36,905	22,143	30,424	0	27,729	22,697	33,738
25-29	36,310	15,981	24,797	0	27,412	20,071	29,261
30 and Over	23,386	0	18,703	0	0	16,055	18,139
All Years	55,216	25,662	45,587	0	38,825	23,752	46,758

* 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 23 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.

APPENDICES

- **APPENDIX A - STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**
- **APPENDIX B - SUMMARY OF PRINCIPAL PLAN PROVISIONS**
- **APPENDIX C - GASB STATEMENT NO. 27**
- **APPENDIX D – GLOSSARY OF ACTUARIAL TERMS**

APPENDIX A

- **STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**

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 usually 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. 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 amortized over a rolling 30 year period. Finally, 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.

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 already is 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 he deems appropriate, and will not be less than five years nor greater than 30 years.

Asset Valuation Method

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets.

Miscellaneous

Superfunded Status

If a rate plan is superfunded (actuarial value of assets exceeds the present value of benefits), as of the most recently completed annual valuation, the employer may cover their employees' member contributions (both taxed and tax-deferred) using their employer assets during the fiscal year for which this valuation applies. This would entail transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts. This change was implemented effective January 1, 1999 pursuant to Chapter 231 (Assembly Bill 2099) which added Government Code Section 20816.

Superfunded status applies only to individual plans, not risk pools. For rate plans within a risk pool, actuarial value of assets is the sum of the rate plan's side fund plus the rate plan's pro-rata share of non-side fund assets.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 were not taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code Section 401(a)(17) were taken into account in this valuation. It was determined that this change generally had minimal impact on the employer rates and no special amortization base has been created.

Actuarial Assumptions

Economic Assumptions

Investment Return

7.75% compounded annually (net of expenses). This assumption is used for all plans.

Salary Growth

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

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1445	0.1265	0.1005
1	0.1215	0.1075	0.0875
2	0.1035	0.0935	0.0775
3	0.0905	0.0825	0.0695
4	0.0805	0.0735	0.0635
5	0.0725	0.0675	0.0585
10	0.0505	0.0485	0.0435
15	0.0455	0.0435	0.0385
20	0.0415	0.0395	0.0355
25	0.0365	0.0365	0.0345
30	0.0325	0.0325	0.0325

Public Agency Fire

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1075	0.1075	0.1045
1	0.0975	0.0965	0.0875
2	0.0895	0.0855	0.0725
3	0.0825	0.0775	0.0625
4	0.0765	0.0705	0.0535
5	0.0715	0.0645	0.0475
10	0.0535	0.0485	0.0375
15	0.0435	0.0415	0.0365
20	0.0395	0.0385	0.0345
25	0.0355	0.0355	0.0335
30	0.0325	0.0325	0.0325

Public Agency Police

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1115	0.1115	0.1115
1	0.0955	0.0955	0.0955
2	0.0835	0.0835	0.0805
3	0.0745	0.0725	0.0665
4	0.0675	0.0635	0.0575
5	0.0615	0.0575	0.0505
10	0.0475	0.0445	0.0365
15	0.0435	0.0415	0.0355
20	0.0395	0.0385	0.0345
25	0.0365	0.0355	0.0335
30	0.0325	0.0325	0.0325

Public Agency County Peace Officers

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1315	0.1315	0.1315
1	0.1115	0.1085	0.1055
2	0.0965	0.0915	0.0865
3	0.0845	0.0795	0.0735
4	0.0755	0.0695	0.0635
5	0.0685	0.0625	0.0555
10	0.0485	0.0445	0.0405
15	0.0435	0.0405	0.0385
20	0.0395	0.0385	0.0365
25	0.0365	0.0355	0.0345
30	0.0325	0.0325	0.0325

- 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

3.25% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans.

Inflation

3.00% 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 3% 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

Final Average Salary is increased by 1% for those plans with the provision providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)

Final Average Salary 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.

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	0.00019	0.00009	0.00003
25	0.00027	0.00014	0.00007
30	0.00038	0.00021	0.00010
35	0.00054	0.00031	0.00013
40	0.00077	0.00046	0.00017
45	0.00110	0.00068	0.00020
50	0.00156	0.00102	0.00023
55	0.00221	0.00151	0.00027
60	0.00314	0.00226	0.00030

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% will become the Non-Industrial Death rate and 1% 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	0.00245	0.00136	0.01459	0.01129	0.00546	0.00388
55	0.00429	0.00253	0.02115	0.01481	0.00616	0.00568
60	0.00721	0.00442	0.02870	0.01884	0.01016	0.00818
65	0.01302	0.00795	0.03617	0.02356	0.01853	0.01214
70	0.02135	0.01276	0.04673	0.03020	0.03369	0.01760
75	0.03716	0.02156	0.06552	0.04298	0.05768	0.02774
80	0.06256	0.03883	0.09481	0.06514	0.08670	0.04690
85	0.10195	0.07219	0.14041	0.10269	0.13032	0.08262
90	0.17379	0.12592	0.20793	0.16189	0.19588	0.13984
95	0.25917	0.21773	0.30792	0.25522	0.29444	0.23566
100	0.34724	0.32036	0.45599	0.40236	0.44259	0.35341

Marital Status

For active members, a percentage married upon retirement is assumed according to 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 members refund immediately if non-vested, retire immediately if eligible, or retire at the earliest retirement age if not eligible.

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	0.1760	0.1691	0.1622	0.1553	0.1483	0.1414
1	0.1561	0.1492	0.1423	0.1353	0.1284	0.1215
2	0.1362	0.1293	0.1224	0.1154	0.1085	0.1016
3	0.1163	0.1094	0.1025	0.0955	0.0886	0.0817
4	0.0964	0.0895	0.0826	0.0756	0.0687	0.0618
5	0.0283	0.0257	0.0232	0.0206	0.0181	0.0155
10	0.0184	0.0161	0.0139	0.0117	0.0095	0.0073
15	0.0120	0.0102	0.0083	0.0064	0.0046	0.0027
20	0.0073	0.0057	0.0041	0.0025	0.0009	0.0002
25	0.0034	0.0022	0.0009	0.0002	0.0002	0.0002
30	0.0010	0.0002	0.0002	0.0002	0.0002	0.0002

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
0	0.0947	0.1299	0.1072
1	0.0739	0.0816	0.0841
2	0.0531	0.0348	0.0609
3	0.0323	0.0331	0.0470
4	0.0290	0.0314	0.0445
5	0.0095	0.0110	0.0156
10	0.0029	0.0068	0.0096
15	0.0021	0.0035	0.0048
20	0.0016	0.0022	0.0022
25	0.0010	0.0015	0.0010
30	0.0009	0.0012	0.0006

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

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	0.0482	0.0439	0.0395	0.0351	0.0307
10	0.0390	0.0343	0.0296	0.0249	0.0000
15	0.0326	0.0274	0.0224	0.0000	0.0000
20	0.0245	0.0192	0.0000	0.0000	0.0000
25	0.0156	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0187	0.0265
10	0.0061	0.0145	0.0204
15	0.0058	0.0094	0.0130
20	0.0053	0.0075	0.0074
25	0.0047	0.0067	0.0043
30	0.0045	0.0064	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.
- The Police Termination with vested benefits rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Non-Industrial (Not Job-Related) Disability

Rates vary by age and gender for Miscellaneous Plans.

Rates vary by age for Safety Plans.

	Miscellaneous		Fire	Police	County Peace Officer
Age	Male	Female	Male and Female	Male and Female	Male and Female
20	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0002	0.0002	0.0001	0.0001	0.0001
30	0.0002	0.0004	0.0001	0.0002	0.0001
35	0.0008	0.0010	0.0001	0.0003	0.0002
40	0.0015	0.0016	0.0001	0.0004	0.0003
45	0.0024	0.0023	0.0002	0.0005	0.0004
50	0.0037	0.0035	0.0005	0.0008	0.0007
55	0.0049	0.0041	0.0010	0.0013	0.0012
60	0.0055	0.0039	0.0015	0.0020	0.0019

- The Miscellaneous Non-Industrial Disability rates are used for Local Prosecutors.
- The Police Non-Industrial Disability rates are 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	0.0006	0.0002
25	0.0010	0.0028	0.0012
30	0.0021	0.0056	0.0025
35	0.0031	0.0084	0.0037
40	0.0041	0.0112	0.0050
45	0.0051	0.0140	0.0062
50	0.0062	0.0167	0.0075
55	0.0601	0.0581	0.0128
60	0.0601	0.0581	0.0128

- The Police Industrial Disability rates are 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% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Service Retirement

Public Agency Miscellaneous 2% @ 60

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0085	0.0120	0.0146	0.0165	0.0184	0.0206
51	0.0059	0.0082	0.0100	0.0113	0.0126	0.0142
52	0.0092	0.0129	0.0157	0.0178	0.0198	0.0222
53	0.0104	0.0146	0.0177	0.0200	0.0224	0.0251
54	0.0109	0.0154	0.0187	0.0211	0.0236	0.0264
55	0.0198	0.0279	0.0339	0.0383	0.0427	0.0479
56	0.0181	0.0254	0.0308	0.0348	0.0389	0.0436
57	0.0208	0.0292	0.0354	0.0400	0.0447	0.0501
58	0.0262	0.0368	0.0447	0.0505	0.0564	0.0632
59	0.0335	0.0471	0.0572	0.0646	0.0721	0.0809
60	0.0615	0.0865	0.1051	0.1187	0.1325	0.1485
61	0.0628	0.0883	0.1073	0.1212	0.1353	0.1517
62	0.1258	0.1767	0.2147	0.2426	0.2708	0.3036
63	0.1263	0.1775	0.2156	0.2436	0.2720	0.3049
64	0.0972	0.1366	0.1659	0.1875	0.2093	0.2346
65	0.1731	0.2432	0.2955	0.3339	0.3727	0.4178
66	0.0946	0.1330	0.1616	0.1825	0.2038	0.2284
67	0.1272	0.1787	0.2171	0.2453	0.2738	0.3069

Public Agency Miscellaneous 2% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0145	0.0184	0.0224	0.0269	0.0307	0.0366
51	0.0106	0.0135	0.0164	0.0198	0.0226	0.0269
52	0.0114	0.0145	0.0176	0.0212	0.0241	0.0287
53	0.0150	0.0190	0.0231	0.0278	0.0318	0.0378
54	0.0199	0.0252	0.0307	0.0369	0.0421	0.0502
55	0.0475	0.0604	0.0734	0.0883	0.1008	0.1200
56	0.0395	0.0502	0.0611	0.0735	0.0838	0.0998
57	0.0427	0.0542	0.0659	0.0793	0.0905	0.1078
58	0.0473	0.0601	0.0730	0.0879	0.1003	0.1194
59	0.0510	0.0648	0.0788	0.0948	0.1082	0.1287
60	0.0715	0.0908	0.1104	0.1328	0.1516	0.1804
61	0.0715	0.0908	0.1104	0.1328	0.1516	0.1805
62	0.1275	0.1620	0.1969	0.2369	0.2704	0.3219
63	0.1287	0.1636	0.1988	0.2392	0.2731	0.3250
64	0.0931	0.1182	0.1438	0.1729	0.1974	0.2350
65	0.1738	0.2209	0.2686	0.3231	0.3688	0.4390
66	0.1085	0.1378	0.1675	0.2016	0.2301	0.2739
67	0.1109	0.1409	0.1713	0.2061	0.2353	0.2801

Public Agency Miscellaneous 2.5% @ 55, 2.7% @ 55, 3% @ 60

	2.5% @ 55		2.7% @ 55		3% @ 60	
Age	Male	Female	Male	Female	Male	Female
50	0.05000	0.07000	0.05000	0.07000	0.05000	0.07000
51	0.02000	0.05000	0.02000	0.05000	0.02000	0.05000
52	0.03000	0.05000	0.03000	0.05000	0.03000	0.05000
53	0.03000	0.05000	0.03000	0.06000	0.03000	0.05000
54	0.04000	0.05000	0.04000	0.06000	0.04000	0.05000
55	0.08000	0.09000	0.09000	0.10000	0.08000	0.09000
56	0.06000	0.07000	0.07000	0.08000	0.07000	0.08000
57	0.07000	0.06000	0.08000	0.07000	0.08000	0.07000
58	0.08000	0.10000	0.08000	0.10000	0.09000	0.11000
59	0.09000	0.09000	0.10000	0.09000	0.11000	0.10000
60	0.16000	0.12000	0.17000	0.13000	0.19000	0.15000
61	0.15000	0.10000	0.16000	0.11000	0.17000	0.12000
62	0.26000	0.21000	0.28000	0.23000	0.31000	0.25000
63	0.22000	0.18000	0.23000	0.20000	0.26000	0.22000
64	0.15000	0.13000	0.16000	0.14000	0.18000	0.16000
65	0.25000	0.25000	0.27000	0.27000	0.30000	0.30000
66	0.14000	0.15000	0.15000	0.16000	0.17000	0.18000
67	0.12000	0.14000	0.13000	0.16000	0.14000	0.17000
68	0.12000	0.11000	0.13000	0.12000	0.15000	0.13000
69	0.09000	0.13000	0.10000	0.14000	0.11000	0.15000
70	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

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		

Public Agency Police 2%@ 50

	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	0.0262	0.0262	0.0262	0.0262	0.0480	0.0855
53	0.0523	0.0523	0.0523	0.0523	0.0957	0.1706
54	0.0697	0.0697	0.0697	0.0697	0.1275	0.2274
55	0.0899	0.0899	0.0899	0.0899	0.1645	0.2932
56	0.0638	0.0638	0.0638	0.0638	0.1166	0.2079
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.

Public Agency Fire 2%@50

	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	0.0173	0.0173	0.0173	0.0173	0.0267	0.0400
53	0.0465	0.0465	0.0465	0.0465	0.0716	0.1072
54	0.0638	0.0638	0.0638	0.0638	0.0983	0.1471
55	0.0868	0.0868	0.0868	0.0868	0.1336	0.2000
56	0.0779	0.0779	0.0779	0.0779	0.1200	0.1796
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

Public Agency Police 3% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0193	0.0193	0.0193	0.0193	0.0397	0.0600
51	0.0157	0.0157	0.0157	0.0157	0.0324	0.0491
52	0.0163	0.0163	0.0163	0.0163	0.0337	0.0510
53	0.0587	0.0587	0.0587	0.0587	0.1208	0.1829
54	0.0691	0.0691	0.0691	0.0691	0.1422	0.2154
55	0.1164	0.1164	0.1164	0.1164	0.2397	0.3630
56	0.0756	0.0756	0.0756	0.0756	0.1556	0.2357
57	0.0581	0.0581	0.0581	0.0581	0.1196	0.1812
58	0.0508	0.0508	0.0508	0.0508	0.1045	0.1583
59	0.0625	0.0625	0.0625	0.0625	0.1287	0.1949
60	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.

Public Agency Fire 3% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0024	0.0024	0.0024	0.0035	0.0055	0.0065
51	0.0048	0.0048	0.0048	0.0070	0.0110	0.0128
52	0.0147	0.0147	0.0147	0.0215	0.0339	0.0396
53	0.0425	0.0425	0.0425	0.0621	0.0979	0.1142
54	0.0567	0.0567	0.0567	0.0828	0.1306	0.1523
55	0.0915	0.0915	0.0915	0.1337	0.2109	0.2459
56	0.0811	0.0811	0.0811	0.1184	0.1868	0.2178
57	0.0996	0.0996	0.0996	0.1455	0.2295	0.2676
58	0.0814	0.0814	0.0814	0.1189	0.1874	0.2185
59	0.0775	0.0775	0.0775	0.1131	0.1784	0.2080
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Public Agency Police 3% @ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0435	0.0435	0.0435	0.0821	0.1208	0.1559
51	0.0385	0.0385	0.0385	0.0728	0.1071	0.1382
52	0.0614	0.0614	0.0614	0.1159	0.1705	0.2200
53	0.0689	0.0689	0.0689	0.1303	0.1916	0.2472
54	0.0710	0.0710	0.0710	0.1342	0.1974	0.2547
55	0.0898	0.0898	0.0898	0.1698	0.2497	0.3222
56	0.0687	0.0687	0.0687	0.1299	0.1910	0.2465
57	0.0803	0.0803	0.0803	0.1518	0.2232	0.2880
58	0.0791	0.0791	0.0791	0.1495	0.2198	0.2837
59	0.0820	0.0820	0.0820	0.1549	0.2279	0.2940
60	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.

Public Agency Fire 3% @ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0341	0.0341	0.0341	0.0477	0.0679	0.0804
51	0.0463	0.0463	0.0463	0.0647	0.0922	0.1091
52	0.0693	0.0693	0.0693	0.0967	0.1377	0.1630
53	0.0835	0.0835	0.0835	0.1166	0.1661	0.1965
54	0.1025	0.1025	0.1025	0.1431	0.2038	0.2412
55	0.1265	0.1265	0.1265	0.1766	0.2516	0.2977
56	0.1210	0.1210	0.1210	0.1690	0.2407	0.2848
57	0.1010	0.1010	0.1010	0.1411	0.2010	0.2378
58	0.1184	0.1184	0.1184	0.1652	0.2354	0.2786
59	0.1002	0.1002	0.1002	0.1399	0.1993	0.2358
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

APPENDIX B

- **SUMMARY OF MAJOR BENEFIT OPTIONS**
- **DESCRIPTIONS OF PRINCIPAL PLAN PROVISIONS**

Summary of 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.

	Coverage Group	
	74001	75001
Benefit Provision		
Benefit Formula	3.0% @ 50	3.0% @ 50
Social Security Coverage	no	no
Full/Modified	full	full
Final Average Compensation Period	12 mos.	12 mos.
Sick Leave Credit	yes	yes
Non-Industrial Disability	standard	standard
Industrial Disability	yes	yes
Pre-Retirement Death Benefits		
Optional Settlement 2W	no	no
1959 Survivor Benefit Level	level 4	level 4
Special	yes	yes
Alternate (firefighters)	no	no
Post-Retirement Death Benefits		
Lump Sum	$500	$500
Survivor Allowance (PRSA)	yes	yes
COLA	2%	2%
Employee Contributions		
Contractual employer paid	9%	9%
Contractual Employee Cost sharing	0%	0%

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DESCRIPTION OF PRINCIPAL PLAN PROVISIONS

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.

Service Retirement

Eligibility
A CalPERS 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)

Benefit
The Service Retirement benefit calculated for service earned by this group of employees 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	2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60
50	1.092%	1.426%	2.0%	2.0%	2.0%
51	1.156%	1.522%	2.1%	2.14%	2.1%
52	1.224%	1.628%	2.2%	2.28%	2.2%
53	1.296%	1.742%	2.3%	2.42%	2.3%
54	1.376%	1.866%	2.4%	2.56%	2.4%
55	1.460%	2.0%	2.5%	2.7%	2.5%
56	1.552%	2.052%	2.5%	2.7%	2.6%
57	1.650%	2.104%	2.5%	2.7%	2.7%
58	1.758%	2.156%	2.5%	2.7%	2.8%
59	1.874%	2.210%	2.5%	2.7%	2.9%
60	2.0%	2.262%	2.5%	2.7%	3.0%
61	2.134%	2.314%	2.5%	2.7%	3.0%
62	2.272%	2.366%	2.5%	2.7%	3.0%
63 & Up	2.418%	2.418%	2.5%	2.7%	3.0%

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%	2.0%	2.40%	3.0%
51	1.903%	1.522%	2.14%	2.52%	3.0%
52	2.035%	1.628%	2.28%	2.64%	3.0%
53	2.178%	1.742%	2.42%	2.76%	3.0%
54	2.333%	1.866%	2.56%	2.88%	3.0%
55 & Up	2.5%	2.0%	2.7%	3.0%	3.0%

* For this formula, the benefit factor also varies by entry age. The factors shown are for members with an entry age of 35 or larger. If entry age is less than 35, then the age 55 benefit factor is 50% 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.

- 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.

- 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% 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 member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

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% 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% 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% of final compensation for the first 5 years of service, plus 1% for each additional year of service to a maximum of 50% 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% of final compensation.

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

Improved Benefit (50% to 90% 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% or greater, with a maximum of 90%) 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% 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% 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% or 50% 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% or 50% 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 7.75% 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, 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 2 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, 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% 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% of final compensation
- if 2 eligible children: 20.0% of final compensation
- if 3 or more eligible children: 25.0% 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

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%.

Improved Benefit
Employers have the option of providing an improved cost-of-living adjustment of 3%, 4% or 5%.

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% 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%.
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, 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%
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%

The employer may choose to "pick-up" these contributions for the employees (Employer Paid Member Contributions or EPMC). An employer may also include Employee Cost Sharing in the contract, where employees contribute an additional percentage of compensation.

- Auxiliary organizations of the CSUC system may elect reduced contribution rates, in which case the offset is $317 and the contribution rate is 6% 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%.

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% 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. For more information on this benefit, go to the CalPERS website at www.calpers.ca.gov.

APPENDIX C

- **GASB STATEMENT NO. 27**

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

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. The contribution rate for the indicated period is 21.361% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2010, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2009 to June 30, 2010. The employer and the employer's auditor are responsible for determining the NPO and the APC.

Note: If an agency elects the Annual Lump Sum Prepayment Option, the ARC for the period July 1, 2009 through June 30, 2010 is $12,260,454.

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

	Retirement Program
Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	31 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% 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 rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. 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 complete 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 value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (AVA) (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/05	$ 536,142,694	$ 428,574,694	$ 107,568,000	79.9%	82.7%	$ 48,325,899	222.6%
06/30/06	579,610,838	462,052,280	117,558,558	79.7%	85.0%	52,289,374	224.8%
06/30/07	619,816,290	592,315,427	27,500,863	95.6%	109.4%	54,127,744	50.8%

APPENDIX D

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 investment return, salary growth and inflation.

Actuarial Methods

Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.

Actuarial Valuation

The determination, as of a valuation date, of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

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. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in unfunded liability due to amendments, actuarial assumption changes, actuarial methodology changes, and 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.

Entry Age

The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan or risk pool. In most cases, this is 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.)

Excess Assets

When a plan's actuarial value of assets is greater than its accrued liability, the difference is the plan's excess assets. A plan with excess assets is said to be overfunded. The result of having excess assets is that the plan may temporarily reduce future contributions.

Fresh Start

A fresh start is the single amortization base created when multiple amortization bases are collapsed into one base and amortized over a new funding period.

Funded Status

A measure of how well funded a plan is. Or equivalently, how "on track" a plan is with respect to assets vs. accrued liabilities. We calculate a funded ratio by dividing the market value of assets by the 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.

GASB 27

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

Lump Sum Contribution

A payment made by the employer to reduce or eliminate the unfunded liability.

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 person who is responsible for the calculations necessary to properly fund a pension plan.

Prepayment Contribution

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

Present Value of Benefits

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 the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation may be waived.

Unfunded Liability

A plan with an actuarial value of assets below the accrued liability is said to have an unfunded liability and must temporarily increase contributions to get back on schedule.