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MOVANT NATIONAL PUBLIC FINANCE
GUARANTEE CORPORATION

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION

In re:

CITY OF STOCKTON, CALIFORNIA,

Debtor.

Case No. 12-32118

D.C. No. OHS-1
Chapter 9

DECLARATION OF MATTHEW M. WALSH IN SUPPORT OF NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION'S SUPPLEMENTAL OBJECTION TO THE CITY OF STOCKTON'S QUALIFICATIONS UNDER SECTION 109(C) AND 921(C)

Date: February 26, 2013
(Status Conference)
Time: 1:30 P.M.
Dept: C, Courtroom 35
Judge: Hon. Christopher M. Klein

I, Matthew M. Walsh, declare as follows:

1. I am a partner with the firm of Winston & Strawn LLP, counsel to National Public Finance Guarantee Corporation. I make this declaration in support of National Public Finance Guarantee Corporation's Supplemental Objection to the City of Stockton's (the "City") Qualifications Under Section 109(c) and 921(c) (the "Supplemental Objection"). If called upon to do so, I could and would testify of my own personal knowledge to the facts set forth herein.

2. Attached hereto as Exhibit A are true and correct excerpts from the transcript of the deposition of Robert Deis taken on November 28, 2012.

3. Attached hereto as Exhibit B are true and correct excerpts from the transcript of the deposition of Ann Goodrich taken on November 6, 2012.

4. Attached hereto as Exhibit C are true and correct excerpts from the transcript of the deposition of Teresia A. Haase taken on November 14, 2012.

5. Attached hereto as Exhibit D are true and correct excerpts from the transcript of the deposition of Eric Jones taken on November 7, 2012.

6. Attached hereto as Exhibit E are true and correct excerpts from the transcript of the deposition of David Lamoureux (CalPERS' 30(b)(6) witness) taken on November 16, 2012.

7. Attached hereto as Exhibit F are true and correct excerpts from the transcript of the deposition of Katherine Miller taken on November 9, 2012.

8. Attached hereto as Exhibit G are true and correct excerpts from the transcript of the deposition of David Millican taken on October 31, 2012.

9. Attached hereto as Exhibit H are true and correct excerpts from the transcript of the deposition of Laurie Montes taken on November 1, 2012.

10. Attached hereto as Exhibit I are true and correct excerpts from the transcript of the deposition of Peter Mixon (CalPERS' 30(b)(6) witness) taken on December 5, 2012.

11. Attached hereto as Exhibit J is a true and correct copy of the CalPERS Annual Valuation Report as of June 30, 2011 (Miscellaneous Plan of the City of Stockton), produced by the City in connection with discovery in this chapter 9 case.

12. Attached hereto as Exhibit K is a true and correct copy of the CalPERS Annual Valuation Report as of June 30, 2011 (Safety Plan of the City of Stockton), produced by the City in connection with discovery in this chapter 9 case.

13. Attached hereto as Exhibit L is a true and correct copy of the June 7, 2012 letter from Laurie Montes to CalPERS regarding “Revision to the City of Stockton’s 5% COLA Allowance for Miscellaneous Employees,” produced by the City in connection with discovery in this chapter 9 case.

14. Attached hereto as Exhibit M is a true and correct copy of the Management Partners’ Follow-up Notes from August 8, 2012 Meeting with Ann Goodrich and Teresia Haase as well as SDT Meeting, produced by the City in connection with discovery in this chapter 9 case.

15. Attached hereto as Exhibit N is a true and correct copy of the Memorandum of Understanding Between the City of Stockton and the Stockton Police Officers’ Association (“SPOA”), dated December 11, 2012, attaching the Memorandum of Understanding Between the SPOA and the City with a term of July 1, 2012 through June 30, 2014, downloaded from http://stockton.granicus.com/GeneratedAgendaViewer.php?view_id=48&event_id=402.

I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct.

Executed this 14th day of December 2012 at Los Angeles, California.

/s/ Matthew M. Walsh
Matthew M. Walsh

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT
SACRAMENTO DIVISION

In re:

CITY OF STOCKTON, CALIFORNIA, No. 12-32118
Debtor. Chapter 9
/

Videotape Deposition of
ROBERT DEIS
Wednesday, November 28, 2012

Reported by:
SANDRA BUNCH VANDER POL, RMR, CRR, CSR #3032
Realtime Systems Administrator credentialed
Fellow, Academy of Professional Reporters
Job No. 38955

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Q. And what is the basis for the City's business judgment?
A. The basis for the business argument why we can't is, as we discussed earlier, fear of being unable to staff a city, most acutely in the Police Department. Even if all the positions were full, we are way understaffed compared to other cities.
And then you pile on the fact that we had a huge amount of vacancies, as we have lost people even before we had the conversation about PERS.
In conversations with the police chief, I feel confident that we will lose even more police employees, and we will have an inability to fill the positions.
Q. Has the City considered forming its own independent defined benefit plan for its employees?
A. No.
Q. Has the City considered joining or affiliating or aligning itself with an existing defined benefit pension plan, such as a 37 Act Plan?
A. No.
Q. There's an attachment to your letter, and that is a memorandum dated August 14th, 2012, from Chief Jones to you; is that correct?
A. Yes.

meetings is a possibility of changing the amortization of the unfunded liability portion of the cost. But I don't know if that's a product of our staff's request or it was offered by PERS. But I recall that being an outcome of the meeting. So there may have been requests. I can't confirm that.

Q. Other than with respect to seeking a reduction in the COLA and other than with respect to the meeting you referred to that Ms. Haase participated in, do you recall any efforts by the City to seek to reduce, to modify, or to restructure its obligations with PERS?

A. I don't recall any.

Q. Have you been following the development in the San Bernardino bankruptcy case?

A. Through the newspaper.

Q. Have you had any discussions with anyone employed by the City of San Bernardino?

A. No.

Q. Are you aware that the City of San Bernardino has elected not to pay its CalPERS obligation at present?

MR. HILE: Objection. No foundation.

THE WITNESS: I've read in the paper that they have suspended payments. I'm not sure if they

committee?
A. I would say so. That would be one way to describe it.
Q. And you're the ultimate decision-maker on the SDT?
A. Yes.
Q. And so you accept input from others, and debate, and ultimately you're the person that makes the decision at the end of the day?
A. What will be recommended to council, yes.
Q. And SDT decisions, once there's a decision made, are often carried on and recommended to the council, correct?
A. Yes.
Q. Are there any minutes of the SDT meetings?
A. I don't think there are minutes, no.
Q. Are there other documents memorializing what occurred in the SDT meetings?
A. There are work plans that are outcomes from decisions of the SDT group.
Q. And this is a "yes" or "no" question. It's correct that the SDT made a recommendation not to request modification or reduction of the CalPERS liability in the Ask?
MR. HILE: Objection. Recommendation to

whom? It's vague and ambiguous.
BY MR. WALSH:
Q. To the City Council. Do you understand the question?
A. Yes. The committee doesn't operate as formally as you're suggesting in your question. They don't take action. There are not votes. There are not minutes.
There's an agenda. There's conversation. Sometimes there's -- everybody is on the same page, sometimes there's debate. And after a vetting, I will make a decision on what to do. So there's no formal recommendation per se.
Q. It's correct that following some sort of SDT meeting or debate, you did make the decision not to request -- pardon me -- you did make the decision to recommend to the City Council not to request a modification or reduction of the City's CalPERS liability?
A. Kind of a long question. It's been a long day. Could you repeat that, please?
Q. Certainly.
It's correct that following some sort of SDT meeting or debate, you did make the decision not to recommend to the City Council that it request a

modification or reduction in the CalPERS liability of the Ask?

MR. HILE: I'm going to object that that's vague and ambiguous.

THE WITNESS: My recommendation was not to impair the contract. My recommendation was to see if there were the possibility to reduce costs in an area that I thought maybe PERS would be amenable to it, and that was the COLA.

And during the interaction between staff and PERS, what came out of that conversation is a possibility to changing the amortization period on the unfunded liability.

BY MR. WALSH:

Q. And did you pass these recommendations on to the City Council?

A. Yes.

Q. And were they adopted by the City Council?

A. The -- that occurred during closed session with attorneys. In closed sessions, there typically is not a formal adoption process.

Without violating closed session and attorney-client privilege, I think you can conjecture how the conversation went, given our financial restructuring Ask and the AB 506 process.

MR. WALSH: I have a number of questions -- and I will direct this one to you, Mr. Hile, and Mr. Deis -- about the conversations at the SDT level as well as the closed council level with respect to the decision not to request an impairment of the CalPERS liability.

In prior depositions I know that you have asserted the privilege. I would like to get into this, and I think I'm entitled to it. But I'd like to know, Mr. Hile, whether the privilege will continue to be asserted with respect to these questions?

MR. HILE: Yes.

MR. WALSH: Okay. I continue to lodge my objection, as I have in the past. I won't belabor the record with it. I think we are entitled to this. But I will not go into those questions based on that, and I will reserve rights and move on.

Q. Mr. Deis, members of the SDT are CalPERS beneficiaries, correct?

A. Not all of them.

Q. But a majority of them, correct?

A. I don't even know if it's a majority.

Q. Do you know of -- can you identify anyone who is a member of the SDT that is not a member of

CalPERS, other than outside counsel and outside consultants?

A. You just lessened the math calculation there. That would basically be staff, and they would be members of CalPERS.

Q. And in -- again, I don't intend to get into the area Mr. Hile is going to object on, so let me just -- I object to his objection, but I'm not trying to probe sideways here.

Of the people on the SDT that make the decisions, you're the person that makes the final decisions; is that correct?

A. That's correct.

Q. Not the lawyers, the outside accountants -- or the outside consultants, correct?

MR. HILE: I'm going to object that there's no foundation. And it's vague and ambiguous.

MR. WALSH: Let me rephrase it.

Q. Does the buck stop with you on the SDT, Mr. Deis?

MR. HILE: Same objections.

THE WITNESS: I would say that in any decision-making process that I'm involved in, if a staff person feels that I'm making an egregious error in a particular decision, that that staff person has

factor in the City's decision not to seek modification in reduction of its PERS liability; do you recall that testimony?
A. Yes. That was a major factor.
Q. Were there any other factors that worked into the City's decision not to seek modification or reduction of its PERS liability?
A. Well, we sought reduction in the liability via advocacy to the governor and the legislature, as has been previously discussed. We talked about the reduction in the COLA. But that's pretty much it. And I think I've been pretty straightforward on the rationale behind it.
Q. So with respect to the City's decision not to seek to impair CalPERS in the Chapter 9 bankruptcy, other than the testimony earlier about the fear of losing employees, particularly police, are there any other bases for that decision not to seek to impair CalPERS in the Chapter 9 bankruptcy?
A. Both losing employees and recruiting and filling the vacancies, those are the primary reasons.
Q. Were there any other reasons?
A. Right now I don't recall.
Q. What was your basis for believing you might lose employees should the City seek to impair CalPERS

in the Chapter 9 bankruptcy?

MR. HILE: Objection. Asked and answered.

THE WITNESS: It was discussed, and it's in this attachment by the police chief.

BY MR. WALSH:

Q. The Chief Jones August 2012 memorandum?

A. Yes.

Q. Did you --

A. My --

Q. I cut you off. I'm sorry.

A. My experience in recruiting department heads. Not my direct experience, but what I've heard from department heads trying to recruit and fill other key positions, like deputy director, budget manager, positions like that. Taken in total, those were key indicators that it would be problematic.

Q. Were there any other --

MR. HILE: Counsel, can we just interrupt. In the question that asked about the bases to impair CalPERS obligation under Chapter 9 bankruptcy, I should have objected that there was no foundation. That that is not something that has occurred yet.

Perhaps you meant in the AB 506 process. But let me just object that there's no foundation, to the extent the question relates to seeking to impair

CalPERS obligation in the Chapter 9 proceeding.
BY MR. WALSH:
Q. Well, what was your basis for believing you might lose employees should the City seek to impair CalPERS in the AB 506 process?
MR. HILE: And I will object, asked and answered. I think answer -- go ahead. Do it again.
BY MR. WALSH:
Q. If your answer is the same, sir, you can tell me it's the same. That's fine.
A. It's the same.
Q. Other than the two points that -- the two issues you pointed out, the fear of losing employees, especially police, and the fear of difficulty of replacing those employees, are there any other basis -- were there any bases for the decision not to seek impairment of CalPERS in the AB 506 process?
A. We would be unable to follow through on our fiduciary responsibility of protecting the health and safety of our citizens.
Q. And is that because of the fear of losing safety officers and not being able to replace them?
A. It's a result of radically low staffing levels and the fear of having vacant positions.
Q. And these concerns, do they extend beyond

the police, to the miscellaneous employees, or does
this pertain just to the police employees?
A. I think there's that same concern across the
workforce. But it's -- when it comes to health and
safety of our citizenry, it's particularly acute in
police.
Q. And we were talking a few minutes ago about
the factual bases for your belief that should the
PERS -- should you have sought impairment of the PERS
liability, AB 506, you would lose people or be unable
to fill positions. With respect to the factual
basis, I believe you said your experience is part of
the issue that educated that belief; is that correct?
A. I recall mentioning that was one piece.
Q. Are there any other bases that educate your
belief, as we just discussed, that led to the
decision not to seek an impairment of CalPERS in the
AB 506 process?
MR. HILE: Objection. Asked and answered.
THE WITNESS: Again, I point to this.
BY MR. WALSH:
Q. You're holding up the August 2012 Chief
Jones memorandum?
A. Yes.
Q. Okay. Anything else?

A. My -- again, my experience recruiting department head positions. And, again, the department heads sharing with me their difficulty for recruiting other key heads in the department. And my experience associated with designing and implementing compensation structures in various level governments in three different states.

Q. Anything else?

A. I can't think of any more.

Q. During the AB 506 process, were you involved in any conversations with union representatives regarding any CalPERS issues?

A. I don't recall.

Q. Subsequent to the AB 506 process and before the current mediation, which we will not go into, have you been involved in any conversations with any union representatives regarding the CalPERS issues?

A. I -- I have sent a letter to our employees, I might have even sent two letters, that embedded in the letter is a reference to CalPERS and our position.

I have met with labor representatives one time, and part of that conversation was the CalPERS issue and our position and why. I don't have the dates specifically, but I believe they occurred towards the end of the AB 506 process and afterwards.

Q. And who was involved -- how many meetings did you have with labor representatives regarding the CalPERS issues?

A. Well, I never had a meeting specifically, if you're just talking about CalPERS.

I had a meeting with labor to discuss what is going on, my take on it, the City's take on it, and CalPERS was part of that conversation; one meeting.

Q. In the meeting was there a discussion about the City perhaps modifying or reducing its liability in CalPERS?

A. It was discussed in that one meeting.

Q. Who was at that meeting?

A. Various representatives of various labor groups. I couldn't give you the names.

Q. And who brought up the topic of possibly modifying or reducing the City's liability to CalPERS?

A. The unequivocal here, given your question, we didn't discuss the pros and cons in pursuing that as an option.

We discussed what the City's position was and why. Did they have any questions. Did they have

any concerns.
Q. And what did you say with respect to the City's position, what it was and why?
A. I think it's pretty consistent with the past testimony today and the documentation that we have gone over, that I felt the employees and retirees have given enough. And I'm not comfortable rejecting the CalPERS contract because I'm concerned about keeping a workforce, recruiting a workforce. And we have got to stay a viable employer.
Q. And this meeting, I believe you testified, was towards the end of the AB 506 process or perhaps after; is that correct?
A. Generally, yes.
Q. Was it before or after the City filed for bankruptcy?
A. I don't recall.
Q. What was the union representative's response to your position that you just articulated?
A. An affirmation that the City's position is the right way to go.
Q. Did you make any promises to any union representatives that the City would not change its position?
A. I don't recall representing that issue in

that way, no.
Q. Did you represent it in some other way or was this brought up at all in the meeting?
MR. HILE: Objection. No foundation. Vague and ambiguous.
BY MR. WALSH:
Q. Do you understand the question, Mr. Deis?
A. Could you repeat it, please.
Q. Sure.
I asked whether you made any promises to any union reps that the City would not change your position. You responded, quote, "I don't recall representing that issue in that way, no," end quote.
I'm trying to understand that answer a little better.
A. Okay.
Q. What do you mean by "in that way"? That sounds like a qualifier to me.
A. I would not have represented that there's no way there will be any changes. That would suggest bad faith in mediation.
Q. Did you represent any commitment to make every effort not to seek an impairment of CalPERS either in AB 506 or the Chapter 9 bankruptcy?
A. I said that we will be aggressive in

defending the City's interests and goals. And at this stage, we have no plans to impair the PERS contract.

MR. HILE: Let's go off the record for a second.

MR. WALSH: Sure. Off the record.

THE VIDEOGRAPHER: The time is 6:32 p.m. We are off the record.

(Discussion held off the record.)

THE VIDEOGRAPHER: The time is 6:40 p.m. We are back on the record.

BY MR. WALSH:

Q. Mr. Deis, do you recall earlier today you testified you didn't have any conversation -- you did not have any conversations with any San Bernardino employees about the San Bernardino bankruptcy?

A. That's correct.

Q. Did you have a conversation with Jason Simpson, the Finance Director for the City of San Bernardino, in June of 2012?

A. That's a good clarification. I did not recall. I had a conversation with a consultant of San Bernardino, working for San Bernardino. And now that you've given me that additional information, I recall him being a participant in that conversation.

EXHIBIT B

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT

SACRAMENTO DIVISION

In re:

CITY OF STOCKTON, CALIFORNIA, No. 12-32118

Debtor. Chapter 9

/

Deposition of

ANN GOODRICH

Tuesday, November 6, 2012

Reported by:

SANDRA BUNCH VANDER POL, RMR, CRR, CSR #3032

Realtime Systems Administrator credentialed

Fellow, Academy of Professional Reporters

Job No. 38860

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union documents that list the changes in their contracts that would relate back to the Ask, those were done by the Renne Sloan people, but I reviewed all of those.
Q. Okay. In coming up with recommendations for compensation reductions, did you consider a reduction in the pension benefit?
A. No.
Q. Did it occur to you to consider that? Did you just not consider it?
A. I wasn't aware of any way, short of bankruptcy, that the City could make any adjustments that they hadn't already made. And I was focused more on retiree medical than the other concessions. So, no, I didn't consider any pension reductions.
Q. And why were you more focused on the retiree and other issues?
MR. KILLEEN: Objection. Asked and answered.
THE WITNESS: I felt that the City's retiree medical problem were more severe than the pension obligation. And also the other concessions would provide another 6 or $7 million worth of reductions.
BY MR. GEOLOT:
Q. Why did you consider the retiree medical

discussed what we had put in the Ask as our proposals. And as the process went on with the labor, in some cases they gave us counterproposals that we then responded to.

BY MR. GEOLOT:

Q. Okay. Do you know if anyone during one of these sessions from one of the unions asked about the status of the City's pension obligations with respect to that union?

MR. KILLEEN: Objection. Vague and ambiguous as to time.

THE WITNESS: Most of the meetings we were in one room and the labor people were in the other room. And the judge went back and forth. So I'm not familiar with what they discussed with him.

BY MR. GEOLOT:

Q. But you don't recall any conversations with the union personnel with regard to a proposal to reduce Stockton's pension obligation?

MR. KILLEEN: Objection. Asked and answered.

THE WITNESS: No, I don't recall.

BY MR. GEOLOT:

Q. You don't recall having such a conversation?

A. No, I don't.

A. Yes.
Q. Do you recall if there were any discussions between the City and union representatives at the April 30 meeting on the subject of reduction of the City's pension obligation?
A. As I said before, the only thing we talked about was the things that the City had wrote -- previously provided to them in the Ask as the City's proposals for concessions.
Q. Maybe to shortcut this.
Do you recall any conversations during the entire AB 506 process between representatives of the City and representatives of unions regarding a reduction in the City's pension obligation?
A. Not as a proposal from the City. I think that the -- the capital markets positions on the pensions were conveyed to the unions in the meeting.
Q. By City representative?
A. By the City representative.
Q. What was said about that capital markets position?
A. That they -- that the capital markets people were proposing that the pensions be adjusted or eliminated as part of the AB 506 concessions.
Q. Did the City express its opinion on that

Q. Well, the -- just so the record is clear, my last question was phrased in terms of being told by someone outside the presence of lawyers.
MR. KILLEEN: And I'm objecting and only instructing her not to answer to the extent it involved an attorney-client communication, to make the record clear.
BY MR. GEOLOT:
Q. And on that basis, are you still saying you cannot answer that question?
A. That's right.
Q. Okay. During the course of the AB 506 process, did you ever have any -- did you ever participate in or hear about any meetings with CalPERS at which the issue of the reduction of the pension obligation was discussed?
MR. KILLEEN: Objection. Lacks foundation.
THE WITNESS: Can you restate the question.
BY MR. GEOLOT:
Q. Did you ever attend any meetings where representatives of CalPERS were present where the issue of the City's seeking to reduce its pension obligation was discussed?
A. No.
Q. Did you ever hear of any meetings at

which -- between CalPERS and the City at which the subject of the reduction in the City's pension obligation was discussed?
A. No.
Q. Same question with regard to retirees. Did you ever participate in any meetings with retirees at which the subject of the City's seeking to reduce its pension obligation was discussed?
A. No.
Q. Did you ever hear of any meeting between the City members and retirees where the subject of the reduction of the City's pension obligations was discussed?
A. No.
Q. Did you hear about any discussions without regard to a meeting with retirees?
MR. KILLEEN: Vague as to time.
BY MR. GEOLOT:
Q. During the AB 506 process, where the issue of the reduction in the City's pension benefits was discussed?
A. I'm sorry. Could you restate the question.
Q. Sure.
A. I kind of got lost in it there.
Q. Did you ever hear about any discussions

communications.
BY MR. GEOLOT:
Q. Well, I'm just asking if a calculation was made of the cost of each proposal without regard to what that was, just to understand if the group figured out what the cost would be -- the savings would be for the retiree medical benefit and the savings would be for the pension benefits?
A. Well, they were separately -- you know, there was separate calculations as to the costs of the retiree medical and the projection of cost increases based on the actuary that was done. And then there were projections of the costs for the pensions based on the CalPERS rates.
Q. And was there any calculation of -- on the CalPERS pension side of potential savings from a restructuring of the pension benefit obligation?
A. No.
MR. KILLEEN: I don't know what your timing is for a break. If we could take a five-minute break now and go another half hour until four o'clock.
MR. GEOLOT: That would be fine.
MR. KILLEEN: I appreciate that.
MR. GEOLOT: We will go off the record.
(Recess taken at 3:25 p.m. Back on the

THE WITNESS: Other than what I have already discussed with -- based on the previous questions, no. .
BY MR. WALSH:
Q. It's correct that the SDT reached a final determination as to whether or not to seek a restructuring of the PERS obligation?
A. I'm sorry. Would you restate your question.
Q. Is it correct that the SDT reached a final determination as to whether or not to seek a restructuring of the PERS obligation?
MR. KILLEEN: Objection. Vague as to time.
A. THE WITNESS: The City STD? No. Whatever you are calling it. SDT.
MR. KILLEEN: A mistakes that happens all the time.
THE WITNESS: The Strategic Direction Team made a determination -- made recommendations to the City Council as to what changes the City would make as far as both its labor, retiree and other obligations, and it did not include a restructuring of the PERS benefits.
BY MR. WALSH:
Q. And the recommendation of the SDT passed on to City Council, is that reflected in the Ask?

involving your lawyers, with respect to potential restructuring of the CalPERS pension obligation?
MR. KILLEEN: Objection. Asked and answered.
THE WITNESS: No.
BY MR. WALSH:
Q. Could I refer you to Exhibit 154, please. It should be on the top of your stack.
A. Yes.
Q. You will see on the first page, at the top it reads, "CalPERS follow-up notes form" -- I believe that's supposed to be from, "8-8-12 meeting."
Do you see that?
A. Yes.
Q. Do you recall any earlier meetings with respect to the issues discussed in these notes?
A. Well, first off, there was no meeting. This was a phone call. The meeting didn't involve PERS. This was about the -- obtaining this information. And we may have had a previous phone call to this.
Q. Okay. When would that previous phone call have occurred vis-a-vis the 8-12 meeting?
A. I think it was in July sometime.
Q. And was that July 2012 meeting a kickoff meeting with respect to the issues discussed in

Exhibit 154?
A. Yes.
Q. Is that when the project referenced in Exhibit 154 first began?
A. I believe so.
Q. Are you aware of any prior analysis by the City with respect to the issues discussed in Exhibit 154?
MR. KILLEEN: Objection. Asked and answered.
BY MR. WALSH:
Q. "Prior," I mean prior to the July 2012 kickoff?
MR. KILLEEN: Asked and answered.
THE WITNESS: Well, there's this earlier information collection that Management Partners was involved in. I think that -- that's earlier than July.
BY MR. WALSH:
Q. And you're referring to the Management Partners' documents that you went over earlier today with Mr. Geolot?
A. Yes.
Q. Is there any other prior analysis, prior to this July 2012 meeting, that you're aware of that

Q. And in this document which you've acknowledged occurred after the completion of the AB 506 process, the opening bullet point states that, "Our objective is to make the business case for the remaining current and in good standing with CalPERS," correct?
A. Yes.
Q. And you say, in order to make that business case, you want to seek the information that's set forth in items No. 1 through 6, correct?
A. Yes.
Q. So you were seeking to obtain the information that's enumerated in 1 through 6, correct?
A. Well, I think we already -- we anecdotally knew most of this information. But we wanted to be able to specifically state that we had checked with all these jurisdictions and that -- that it wasn't just based on anecdotal understanding of what common practices are.
Q. Well, correct me if I am wrong. I just want to understand the process here. But prior to obtaining the 1 through 6, at best what you had was anecdotal information, correct?
MR. KILLEEN: Objection. Misstates prior

EXHIBIT C

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT

SACRAMENTO DIVISION

In re:

CITY OF STOCKTON, CALIFORNIA, No. 12-32118

Debtor. Chapter 9

/

Deposition of

TERESIA A. HAASE

Wednesday, November 14, 2012

Reported by:

SANDRA BUNCH VANDER POL, RMR, CRR, CSR #3032

Realtime Systems Administrator credentialed

Fellow, Academy of Professional Reporters

Job No. 39039

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Q. Do you recall whether it was your department that asked Management Partners to do a PERS benefit information comparison?
A. Do I recall? Yes.
Q. Was it your department that gave that direction to Management Partners?
A. No.
Q. Do you know which department did?
A. I believe that came out of SDT discussions.
MR. RIDDELL: To the extent that you have information that's a result of being engaged in any conversations or communications relating to the SDT in which counsel was present, I instruct the witness not to answer on the basis of the attorney-client privilege.
BY MR. NEAL:
Q. In terms of a time reference or parameter, do you recall the first SDT meeting you attended?
A. No.
Q. Do you recall any meetings outside of the SDT that you had with Management Partners regarding their effort to do a PERS benefit information comparison?
A. Yes.
Q. And what's the first meeting you recall?

A. The -- I believe it happened in the early part of August.
Q. And that would be August of 2012?
A. Correct.
Q. And who was at that meeting?
A. Myself, Mr. Belknap, and Ann Goodrich, as I recall.
Q. And what was discussed at that meeting as it relates to the PERS benefit information comparison sought from Management Partners?
A. We discussed what types of information might be helpful in -- to gather for purposes of understanding what the market was in terms of defined benefit programs.
Q. I am going to show you what has been premarked as Exhibit 154.
Ms. Haase, the court reporter has handed you Exhibit 154. Please take the time to look this document over.
(Witness reviewing document.
A. Okay. I mean I didn't read it in detail.
Q. You mentioned a meeting in August of 2012. First, let me ask you: Have you seen this document before, Exhibit 154?
A. I have seen the first page. I don't recall

if the subsequent pages were attached to it when I saw the first page. But I have seen all of this information.

Q. As best you can recall, was this the first meeting you had with Ms. Goodrich and Mr. Belknap regarding the objective to make a business case for remaining current and in good standing with CalPERS?

A. This was the first meeting I recall where the purpose of which was to discuss the information we may want to gather to help us understand what the market was with respect to PERS or a PERS reciprocal defined retirement benefit system.

Q. And how many meetings were there involving you, Ms. Goodrich, and Mr. Belknap?

A. I don't recall.

Q. More than one?

A. There was at least one additional, but I don't know if there were more than one additional.

Q. Other than this document, Exhibit 154, do you know of any documents prepared by Management Partners or anyone else with respect to the business case referenced in Exhibit 154?

A. The only other document that I can recall is the prior exhibit.

Q. And that prior exhibit, I believe you still

THE WITNESS: 118 we're talking about, correct?
MR. NEAL: Yes. Take your time.
(Witness reviewing document.)
MR. NEAL: And we will break in 10 or 15 minutes for lunch. So we are nearing the end of the morning show.
Q. Ms. Haase, have you had an opportunity to familiarize yourself with Exhibit 118?
A. Yes.
Q. Do you recall providing any comments or making -- or suggesting any revisions with respect to the analysis that's reflected in Exhibit 118?
A. I don't recall.
Q. Other than the materials prepared by Management Partners, are you aware of any written study or analysis seeking to make the business case for the City to stay with CalPERS?
A. Nothing I can recall.
Q. Are you aware of any study or analysis that the City has done with Management Partners, or anyone else, or on its own initiative to determine its ability to meet its pension obligations with CalPERS?
MR. RIDDELL: Vague as to time.
THE WITNESS: I'm sorry. Could you repeat

the question?

MR. NEAL: Sure.

Q. Are you aware of any study or analysis that the City has done with Management Partners, or with anyone else, to determine its ability to pay its pension obligations with CalPERS?

A. I'm not aware of any?

Q. Are you aware of any effort to study alternative benefit structures with other pension administrators or agencies?

A. To replace CalPERS?

Q. Yes.

A. No.

Q. If we can go back to Exhibit 154. The second item on the first page, the first sentence, "Interview Eric COP in Stockton."

A. Huh-huh.

Q. Does that refer to Eric Jones?

A. Yes. "COP" is chief of police.

Q. "On the importance of CalPERS and the recruitment and retention of police officers." Do you see that sentence?

A. Uh-huh.

Q. Were you a part of that interview?

MR. RIDDELL: Objection. Assumes facts not

regarding a restructuring or modification or a proposed restructuring or modification of the City's obligations with PERS?
A. Are you asking what communications I have had with PERS?
Q. Well, we could start with PERS. Why don't we -- we could just go by groups. Maybe that's easier. Let's start with PERS.
Have you had any communications with PERS regarding a modification of the City's obligations with PERS?
A. Yes.
Q. And can you describe those communications?
A. I've had a discussion and probably an e-mail exchange with one of the actuaries regarding the process or potential for reducing our required contribution by reamortizing our unfunded liability over a longer period of time.
Q. When did you have that discussion?
A. In the last several weeks.
Q. Who did you have that discussion with?
A. At PERS, I believe the only person I had the discussion with was May Yu. She's a staff actuary.
MR. RIDDELL: Can you please spell that?
THE WITNESS: M-a-y, Y-u.

EXHIBIT D

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT
SACRAMENTO DIVISION

In re:

CITY OF STOCKTON, CALIFORNIA, No. 12-32118
Debtor. Chapter 9
/

Deposition of
ERIC JONES
Wednesday, November 7, 2012

Reported by:
SANDRA BUNCH VANDER POL, RMR, CRR, CSR #3032
Realtime Systems Administrator credentialed
Fellow, Academy of Professional NNReporters
Job No. 38861

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department keep records of recruitment --
BY MR. GEOLOT:
Q. Individuals -- let me rephrase it.
Does the department keep records with respect to individuals who enter the employment process but eventually do not end up as Stockton fire -- sorry, Stockton Police Department employees?
A. Yes. A lot of that tracking is done in the same office that I mentioned earlier, Personnel Training Section.
Q. Okay. Fair enough. Okay. On the page 2, "The Stockton Police Department" -- this is the second sentence down, in the first paragraph. "The Stockton Police Department continues to have many officers from our department applying to other jurisdictions. We anticipate as many as 40 officers may be seeking employment elsewhere."
Okay. And what -- would you provide the basis for that statement?
A. Yeah, that's my command staff. We have a variety of captains who are asked to keep a pulse on the department, and that's employees who have told them that they are applying or in an application process or seriously considering leaving. So it comes from my command staff.

Q. Okay. And is that, again -- that's a record maintained by someone in the police department of the statements by your command staff?
A. No. That's why we anticipate as many as 40. But we don't keep a document tracking what you just explained.
Q. All right. So there is no -- unlike the situation where an individual has departed, you do not have a similar file record of individuals who are saying "I may be looking"; is that right?
A. We try to keep a list -- same section, personnel and training -- that I ask them to try to keep a list of people who are considering leaving the department. But we have to balance that with personnel confidentiality issues, who may not want us to know that they are seeking employment. So I ask them just to keep an informal list for me.
Q. And the 40 officers is only individuals seeking employment elsewhere, not individuals, for example, who may be contemplating retirement; is that right?
A. Yeah, that was the intent, was those that are leaving to other departments. We already track anticipated retirement separately.
Q. And how do you do that?

EXHIBIT E

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT
SACRAMENTO DIVISION

In re:

CITY OF STOCKTON, CALIFORNIA, No. 12-32118

Debtor. Chapter 9

/

Deposition of

DAVID LAMOUREUX 30(b)(6)

Friday, November 16, 2012

Reported by:

VICKI HAINES, CSR #5995

Job No. 39245

letter out to the members stating you're not going to get any benefits.
A. Yes.
Q. They in fact received no benefits, right, they did not get put into the pool?
A. There was nothing to put in the pool because by having no benefits, they have no liabilities and no assets. You can say we added them to the pool, but it added zero to both sides. I think in this case, I think it was more voiding -- the contract, I guess, never existed, but I don't know.
Q. Are the assets and liabilities of each terminated agency kept segregated or are they pooled together?
A. They are pooled together into one big account. We have no way to know how much belongs to -- you know, the liabilities we can, but not the assets.
Q. And what is the current state of the assets and liabilities of the Terminated Agency Pool?
MR. RYAN: Object to the form, outside the scope.
If you know.
THE WITNESS: We will present the results to our board in December of June 30th, 2011. If I

recall, the liabilities are in the neighborhood of $90 million and the assets in the neighborhood of 180. So it's about 200 percent funded. So it has about $90 million surplus.

And again, I think the actual results will be made public to our board in December.

BY MR. NEAL:

Q. Are prior years' results made public as well?

A. We have never in the past -- we have done the calculation internally, but we have never presented it to our board in the past. But we -- our chief actuary has asked us to start presenting the results to the board for the Terminated Agency Pool. But we have done the valuation internally every single year. We have done the calculations. We have not published an official report, but we have done a calculation of the assets and liabilities every year because it's our duty to make sure that the pool is properly funded.

Q. If Stockton were terminated, its assets would be put into the Terminated Agency Pool?

A. And liabilities.

Q. And its liabilities?

A. Correct. Unless they were to ask to move to

EXHIBIT F

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT
SACRAMENTO DIVISION

In re:

CITY OF STOCKTON, CALIFORNIA, No. 12-32118
Debtor. Chapter 9
/

Deposition of
KATHERINE MILLER
Friday, November 9, 2012

Reported by:
VICKI HAINES, CSR #5995
Job No. 38950

Q. And did you generally rely on the information you received from the Strategic Direction Team in making certain decisions?

MR. HILE: Objection, vague and ambiguous both as to time and subject matter.

THE WITNESS: Can you be specific as to what decisions or --

BY MR. WALSH:

Q. Well, you mentioned you were briefed on numerous occasions developing in late 2011 or early 2012. I'm asking whether, in those information sessions, if you received information from the SDT, whether you relied on it?

MR. HILE: Same objection.

THE WITNESS: Yes.

BY MR. WALSH:

Q. In the course of your service on the City Council, have you at various times received information from the Strategic Direction Team?

A. Yes.

Q. And when you received that information, did you generally believe it was accurate?

A. Yes.

Q. Have you ever had reason to doubt that the information you received from the SDT is accurate?

A. No, I have not.
Q. When you received information from the SDT over the course of 2011 or 2012, as a member of the City Council, did you believe that the SDT's information recommendations were unbiased?
MR. HILE: Objection, vague and ambiguous, no foundation.
MR. WALSH: You can answer the question.
THE WITNESS: Can you be specific as to what recommendations?
BY MR. WALSH:
Q. Any recommendations. Are you aware that any recommendations by the SDT to you in '11 or '12 were the product of any potential bias by the SDT?
MR. HILE: Same objection.
THE WITNESS: No, I never -- personally, speaking for myself, I never felt that they were biased.
BY MR. WALSH:
Q. And speaking for yourself again, did you believe that any of the information you received from the SDT in 2011 and 2012 might have been the product of a conflict of interest with the SDT?
MR. HILE: Objection, no foundation, calls for speculation.

THE WITNESS: No.

BY MR. WALSH:

Q. If you came to learn that information you received from the SDT in '11 or '12 was the product of bias or conflict of interest, would that information be important to you?

MR. HILE: Objection, incomplete hypothetical, calls for speculation, no foundation.

THE WITNESS: I can't possibly -- I mean, I -- I don't know. It would completely depend on what the issue was and what information I received. I can't -- I have no idea.

BY MR. WALSH:

Q. So it would be the case that in some instances you might have received information that was the product of a conflict of interest, but that wouldn't matter to you?

A. No, that is absolutely not what I'm saying. What I'm saying is I cannot speculate on what that information might be or what I might do with it because I have no idea what you're talking about.

Q. Would it be important for you to know to the extent there was a bias or conflict of information -- strike that.

Would it have been important for you to

know, to the extent there was bias or conflict of interest on the part of SDT, that the information you received might have been subject to that bias or conflict of interest?

MR. HILE: Objection, no foundation, calls for speculation.

MR. WALSH: You can answer.

THE WITNESS: I would always want to make sure that the information I was receiving was accurate and was complete. I have no reason to believe that the information I received from any member of our senior management team was not.

BY MR. WALSH:

Q. Would you also always want to make sure that the information you received was not a product of any potential -- strike that.

Would you also want to make sure the received -- strike that again.

Would you also want to make sure that the information you received was unbiased and not a product of someone's personal financial motivations?

MR. HILE: Same objections.

THE WITNESS: I would give you the same answer. Yes, I would always want to receive full and complete and accurate information, and I have no

reason to believe that I did not receive that.
BY MR. WALSH:
Q. And would you also always want to be sure that the information you received was not a product of someone's personal financial interest such that they had a personal financial interest in the outcome of the information they gave you; would that be important?
MR. HILE: Same objections.
THE WITNESS: I -- not having a specific, I would say again, I'm answering that by saying yes, I would want complete and accurate information on which to base my decision.
BY MR. WALSH:
Q. And would you want to know whether the person giving you information had a personal financial interest in the outcome of the information they were giving you; would that be important to you?
MR. HILE: Same objections.
THE WITNESS: And my answer would be the same, yes, that goes to receiving full and complete and accurate information.
BY MR. WALSH:
Q. And that might indeed impact your decision one way or the other if you knew that the person

providing you the information might have a personal
financial outcome in that information, correct?
MR. HILE: Objection, vague and ambiguous,
calls for speculation, incomplete hypothetical.
THE WITNESS: Without any specifics, it's
hard for me to say. I mean, it would depend on the
type of conflict. It would depend on if I believed
there was a conflict. It would depend on if the
conflict impacted the information. I -- I would, as
always, my decision-making process, I would hope and
I would insist on receiving full and accurate and
complete information on which to base a decision.
BY MR. WALSH:
Q. I now have a number of questions with
respect to any presentation by the SDT to the City
Council with respect to issues involving the
reduction of the City's PERS liability.
Let me just ask this: Was that ever done in
an open session?
MR. HILE: Objection, vague and ambiguous.
THE WITNESS: I believe I answered this,
that it was touched on in public meetings in the
spring of 2012, as part of the staff report and part
of an overall picture that Council was presented with
as part of our financial reality and analyzing

EXHIBIT G

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT

SACRAMENTO DIVISION

In re:

CITY OF STOCKTON, CALIFORNIA, No. 12-32118

Debtor. Chapter 9

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Deposition of

DAVID N. MILLICAN

Wednesday, October 31, 2012

Reported by:

SANDRA BUNCH VANDER POL, CSR #3032

Certified Merit Reporter

Certified Realtime Reporter

Realtime Systems Administrator credentialed

Fellow, Academy of Professional Reporters

Job No. 38858

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a level of benefits that perhaps would be sustainable?

MR. HILE: Objection. No foundation. Mischaracterizes the prior testimony.

THE WITNESS: Yeah, I just -- I don't think I can answer that question without sort of making a whole bunch of assumptions about what might happen, how it would affect recruitment. There's just a number of variables in terms of whether that would or wouldn't be a good decision for the City.

BY MR. NEAL:

Q. Did you ever do -- did you personally, did the City, or did Management Partners ever do such an analysis?

A. No.

Q. Going back to that last sentence that your counsel pointed you to that starts with the word "specifically."

"Specifically the City has elected to target retiree medical costs for restructuring but to attempt to preserve pension funding for current retirees and current employees who retire under the CalPERS system."

Who made that election at the City, so to speak? Who made that decision?

A. That was the result of a discussion by the group.
Q. Which group?
A. The Strategic Direction Team, which is the group that put together the foundation for this Ask.
Q. And that group includes attorneys for the City?
A. Attorneys for the City, attorneys for Orrick -- Orrick attorneys, the city attorney, the city manager, representatives from Management Partners and related -- or relevant deputy city managers and department directors.
Q. When was that decision made?
A. Over the course of the preparation of this document -- preceding the preparation of the document, there was a course of several meetings following council direction on February 29th.
Q. Did the City or this Strategic Direction Team ever consider targeting pension funding for current retirees and current employees who will retire under the CalPERS system?
A. Yes.
Q. And when did it undertake that consideration?
A. Following the Council direction on

February 23, 2012.

A. So this is the report that resulted from the Financial Condition Assessment.

Q. So Exhibit 67 is the report?

A. Yes.

Q. Okay.

A. I don't know if it has exhibits and schedules that have been included. Okay.

Q. I want to talk about the city's communications with CalPERS related to ultimately the AB 506 process and the Chapter 9 filing.

A. Uh-huh.

Q. Prior to the initiation of the AB 506 process, to your knowledge, did the City have any communication with CalPERS regarding a restructuring or modification of its PERS contributions?

A. Not to my knowledge.

Q. And by -- and by "restructuring or modification," I mean any discussions regarding a potential waiver, forbearance, stretching out, or extension of its obligations to CalPERS?

A. Not to my knowledge.

Q. Let's move it forward. During the AB 506 process, are you aware of any communications by the City with CalPERS regarding the restructuring or

modification of its PERS contributions?
A. I was not aware of that. It's possible that it took place either between our attorneys and CalPERS or the labor relations and CalPERS. But I was not aware of any.
Q. Let me go back to prior to the AB 506 process.
Any communication within the City about whether to seek a restructuring or modification of its PERS contribution?
A. I don't recall just any specific conversation. There was a discussion about whether it was possible or not. But I don't recall the details.
Q. When did that discussion occur?
A. It was early in the process. Mostly informed by discussions between the city attorneys and the Strategic Direction Team.
Q. And what were those communications?
A. I can't talk about those.
MR. HILE: I will instruct him not to answer.
BY MR. NEAL:
Q. Going back to the post-AB 506 period -- or I'm sorry.

him back.

MR. KILLEEN: And under the conditions we have been discussing.

MR. NEAL: Yes.

MR. WALSH: I don't know what that means. I'm sure we will work it out.

THE WITNESS: I don't know what it means either.

BY MR. WALSH:

Q. Mr. Millican, I'd like to talk a little bit about the negotiations, in particular the decision not to attempt to reduce the City's pension obligations.

A. Yes.

Q. I understand from your prior testimony this decision was made by the Strategic Direction Team; is that right?

A. That's correct.

Q. I will call that the SDT. That's what we call it. I will be very careful when I say that, also. SDT.

That includes the city's attorneys, is that correct, that group?

A. The city's attorneys and their labor and bankruptcy counsel, yes.

Q. That includes the Orrick lawyers?
A. Yes.
Q. As well as the city attorney himself; is that correct?
A. Yes.
Q. Are there any other folks that would be included in that group.
A. Yes.
Q. Who would that?
A. That's the City Manager.
Q. Mr. Deis?
A. Mr. Deis; the Deputy City Manager, Ms. Montes; me; when needed, the Deputy City Manager, Mike Locke; the Economic Development Director, Wendy Saunders; Teresia Haase, the H.R. director; Connie Cochran, the City's Public Information Officer; Management Partners's Andy Belknap, Bob Leland, Jovan Grogan.
I have a new associate who sometimes substitutes for Jovan, whose name is Margarita, but I don't recall her last name. And on occasion before I left, Vanessa Burke, but she would now be a regular member of the SDT.
Q. Were there any other members of the SDT that were involved in the decision not to attempt to

reduce the City's pension obligations?
A. There were no members of the -- any other members of the SDT?
Q. Yes.
A. I would say the SDT consulted with its public safety chiefs as it made that decision.
Q. And who were they?
A. Eric Jones and Dave -- what was his name? I'm really bad with names.
MR. LUTTERMAN: Rudat.
THE WITNESS: Dave Rudat, who was the fire chief.
BY MR. WALSH:
Q. Could you spell that for me, please?
A. R-u-d-a-t.
Q. Were there any other folks involved in the Strategic Direction Team that were involved in the decision not to attempt to reduce the City's pension obligations?
A. No.
Q. Of the folks that the names you just gave me, who were the decision-makers on that team? Who actually had the decision-making authority to make the final call whether or not to seek to reduce the City's pension obligations?

EXHIBIT H

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT

SACRAMENTO DIVISION

In re:

CITY OF STOCKTON, CALIFORNIA, No. 12-32118

Debtor. Chapter 9

/

Deposition of

LAURIE MONTES

Thursday, November 1, 2012

Reported by:
SANDRA BUNCH VANDER POL, CSR #3032
Certified Merit Reporter
Certified Realtime Reporter
Realtime Systems Administrator credentialed
Fellow, Academy of Professional Reporters
Job No. 38859

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maintain what? I couldn't hear you.
THE WITNESS: A workforce.
BY MR. NEAL:
Q. Has the City performed any analysis or commissioned any study from an outside consultant as to what the impact would be if it did not offer a CalPERS plan or an equivalent plan like a 37 Act Plan?
MR. HILE: Objection. Vague and ambiguous.
THE WITNESS: Not that I recall.
BY MR. NEAL:
Q. Turn to page 6 of Exhibit 50. There's a heading, "Labor Contracts." First sentence, "In previous years, the City approved labor contracts that were neither transparent nor sustainable."
Do you see that sentence?
A. Yes.
Q. How are the labor contracts neither transparent nor sustainable?
A. We talk about this in our -- I believe it was in our February 28 staff report or even in our June 5th staff report. The labor contracts had -- they weren't really clear about the different kinds of elements or the different kinds of benefits that City employees could get in the past.

identified that occurred in the 1990s, do you know if the City had any communications with CalPERS about reducing the pension benefits of the City?
A. To my knowledge, no.
Q. Were there any communications with CalPERS during the 50 -- AB 506 process in which the City requested a reduction in its pension benefits and a corresponding reduction with its PERS contribution?
A. I don't know.
Q. Do you know if any Ask was made of CalPERS during the AB 506 process?
MR. HILE: Objection. Vague and ambiguous.
THE WITNESS: I know that they were part of the AB 506, but I wasn't -- I didn't attend all of the meetings. I don't recall which ones PERS attended. So I don't know everything that was asked of PERS.
BY MR. NEAL:
Q. Do you know what was asked of PERS, if anything, during the AB 506 process?
A. No.
Q. Aside from your January 7th letter? Excuse me, your June 7th letter?
A. No.
Q. Do you know if the City made any request of

PERS during the AB 506 process for a waiver, a
modification, a restructuring, a reamortization of
its PERS contribution?
A. To my knowledge, I don't know.
Q. The same set of questions. During the
AB 506 process, do you know if anyone from the City
asked for a waiver, modification, restructuring, or
reamortization of the City's UAAL, unfunded
actuarial --
A. Accrued actuarial.
Q. -- accrued actuarial liability?
Thank you.
A. I don't know.
Q. Who was involved in the decision to have you
send this June 7th letter to PERS?
A. We talked of it among the H.R. director,
city manager, and Ann Goodrich, and possibly the
labor attorneys.
Q. And did everyone agree that this letter
should be sent?
A. Yes.
Q. Any dissenting voice?
A. Not that I'm aware of.
Q. Did Mr. Deis approve the sending of this
letter?

benefits, or something very similar to CalPERS, in order to maintain employees.

Q. I appreciate your answer. I'm just trying to bring you back during either the outset of the AB 506 process or during the AB 506 process. Was there a meeting at which it was discussed the City would not seek a modification, to shorthand, of its obligation to PERS? Someone had to have decided that.

A. Yes.

Q. Who did?

A. Our team.

Q. Were you part of that team?

A. Yes.

Q. And when were those meetings held?

A. When we were developing the Ask.

Q. And there was a decision by the team not to seek a modification of its obligation to PERS?

A. It was the decision of the team to support statewide reform.

Q. And the basis for its decision not to seek a modification goes back to the answer you gave a few minutes ago; is that correct?

A. Yes.

Q. And that is, it is the City's belief that to

A. I have.
Q. And can I call that the SDT for short?
A. You can. If you're careful.
Q. Were you a member of the SDT?
A. Yes.
Q. And were you involved in meetings of the SDT?
A. Yes.
Q. When was the SDT first comprised?
A. I'd be guessing.
Q. Let me stop you. I don't want you to guess.
A. Okay.
Q. Could you give me your best estimate.
A. Prior to the commencement of AB 506.
Q. Would you say in late 2011 or perhaps early 2012?
A. Yes, I would say that.
Q. Was there a point in time that the SDT was disbanded?
A. No.
Q. Was there a point in time that SDT meeting -- it's SDT meetings -- let me start the question again.
Was there a point in time that SDT meetings stopped occurring on a regular basis?

But I will -- I will allow you to answer to the extent that you know what the decision was.

THE WITNESS: Would you please repeat your question.

BY MR. WALSH:

Q. Could you tell me your understanding as to why the City ultimately determined not to request a reduction of its PERS pension liability?

A. Well, I thought I explained my understanding a couple of times already today. But the City needs to maintain a pension benefit that makes us a competitive employer, otherwise we won't be able to attract or retain employees.

Q. Do you have any other understanding as to other reasons why the City ultimately determined not to request reduction of its PERS pension liability?

A. No.

Q. And with respect to the City's desire to maintain a pension benefit that feels it is competitive, is it correct that if a pension benefit was competitive going forward, you would not have that concern any longer?

MR. HILE: Objection. Calls for speculation and expert testimony.

MR. WALSH: You can answer the question.

shouldn't have been.
A. Yes.
Q. Other than the three people mentioned in this memo starting on Bates stamp -081182 -- that's Mayor Ann Johnston, Councilmember Dale Fritchen and Councilmember Albert Holman -- are you aware of any other councilmembers in 2012 who were enrolled in Stockton's pension plan.
A. No.
Q. Do you know how it was that these particular members were enrolled in Stockton's pension plans but other councilmembers were not?
A. It's a choice that was given to them erroneously when they start with the City.
Q. Do you know if Bob Deis is a member of Stockton's pension plan with CalPERS?
A. He is a CalPERS member.
Q. And he's a member of Stockton's CalPERS plan?
A. Yes.
Q. How long has he been in Stockton's CalPERS plan?
A. As soon as he started working for Stockton.
Q. And when was that, approximately? Your best estimate is fine.

A. He's been here about two and a half years. He started on July 1st of -- I think it must have been in 2010.
Q. And Mr. Deis, to your knowledge, continues to be a member today of Stockton's CalPERS pension plan?
A. Yes.
Q. And he has been a beneficiary, I should say, of that plan from the time he was hired straight through till today?
MR. HILE: I would object to the term "beneficiary." That's vague and ambiguous.
Go ahead.
MR. WALSH: Let me rephrase it. I accept that objection.
Q. And Mr. Deis has been a member of Stockton's pension plan with CalPERS continuously from the time he joined the City's employment until today; is that correct?
A. That is my understanding.
Q. And is it correct that these three councilmembers, mentioned at the top of Bates stamp -08112, were members of Stockton's CalPERS pension plan when the decision was made not to seek a reduction in the City's CalPERS pension liability?

A. I don't know when -- in April they knew that they were going to be removed from PERS.
Q. When was the decision made not to seek a reduction in the CalPERS pension plan?
A. Prior to entering the AB 506 process.
Q. And that process was began -- it started sometime in early 2012; is that right?
A. That's correct.
Q. So when the City decision was made by the City not to reduce -- not to request a reduction in the pension liability, the three persons from the council mentioned on -081182 -- that's the mayor, Councilmember Fritchen and Councilmember Holman -- all had CalPERS pensions with Stockton; is that correct?
A. I believe that's correct.
Q. Who is the decision-maker on the Strategic Direction Team, the ultimate decision-maker?
A. Bob Deis.
Q. And was he the one who took the SDT's recommendation straight to the City Council?
A. Which recommendation?
Q. Thank you. The recommendation not -- well, let me rephrase that. Let me strike the question.
Is it correct that at some point the three

Ask.
Q. I am sorry. When you say "council" --
A. City Council.
Q. City Council. Thank you.
So is it -- is it your testimony it's the City Council's decision, acting on a recommendation from the SDT?
A. Yes.
Q. Okay. And was there a City Council meeting where the decision was made with respect to not seeking to reduce the PERS obligation?
A. The City Council approved the Ask.
Q. Okay. So it approved the Ask. And the Ask, of course, did not include seeking a reduction?
A. That's correct.
Q. Okay. And the Ask was put together by the SDT?
A. That's correct.
Q. Okay. So -- that's helpful. Thank you.
Now, am I correct in understanding that the -- the City employees who are -- receive or paid out of the general fund, about 80 percent of those employees are what we call public safety employees; is that roughly correct?
A. Yes.

EXHIBIT I

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT

SACRAMENTO DIVISION

In re:

CITY OF STOCKTON, CALIFORNIA, No. 12-32118

Debtor. Chapter 9

/

Deposition of

PETER MIXON

(CalPERS Person Most Knowledgeable)

Wednesday, December 5, 2012

Reported by:

SANDRA BUNCH VANDER POL, RMR, CRR, CSR #3032

Realtime Systems Administrator credentialed

Fellow, Academy of Professional Reporters

Job No. 39772

ALDERSON REPORTING

1-800-FOR-DEPO

you walked back from the courtroom to Orrick's law offices that morning?

A. So we had a --

MR. RYAN: Before the mediation occurred, right?

BY MR. NEAL:

Q. Before the mediation occurred.

A. Yeah. This conversation occurred before the beginning of the mediation. It was after the hearing. It was a very brief conversation.

We talked about the murder rate in Stockton, how that the number of murders was at an all-time high. And that, you know -- you know, his client, Mr. Levinson's client, was concerned about the safety of its citizens. And that they felt that it was a business decision to continue the relationship of the City and CalPERS in order to recruit and retain qualified police officers, among others.

BY MR. NEAL:

Q. Did you say anything in response?

A. Yeah. I think -- I think I talked about, I don't know, a newspaper article that had come out a few days beforehand and that had mentioned that the murder rate at the City of Stockton was at an all-time high, even though we were at the end of

Q. Internal conversations.
MR. RYAN: Outside the scope. Not including, obviously, if there are any legal conversations.
THE WITNESS: Yeah, I can't recall any, no. I mean, other than I clarified earlier this afternoon that I did become aware of a specific request that was made in the last day or so by the City of Stockton.
BY MR. WALSH:
Q. I believe this is on the record from earlier in the deposition, but I want to be entirely clear because as I was following, I wasn't sure if it was clear.
Are you aware of any requests by Stockton in the AB 506 process for a modification of the City's relationship with CalPERS?
MR. RYAN: The attorney-client privilege objection will stand.
THE WITNESS: No, I'm not. My recollection is that that really wasn't a -- the obligations that the City of Stockton owes CalPERS just wasn't on the table. It wasn't part of that mediation process.
BY MR. WALSH:
Q. You said "it wasn't on the table." Do you

A. Yes. Yes.
Q. So I would just like to explore that for just a couple of minutes, if you will bear with me.
When you say they participated in the AB 506 process, I thought I also heard you to say that at no time in connection with that process, or indeed at any other time, has the City made a request to CalPERS that it be permitted to reduce its pension obligations to CalPERS; is that a fair statement?
MR. RYAN: Object to the form. Misstates prior testimony.
THE WITNESS: So I testified earlier this afternoon, that I guess in the last day or two, the City has made a request under the hardship exemption.
BY MR. GARDENER:
Q. Fair enough. Putting that aside. Is my statement an accurate one?
A. So, to my understanding, during the AB 506 mediation process, the City did not make a request to modify its relationship, including its obligations, to CalPERS.
Q. Okay.
A. And one other thing, though, to clarify.
There was an earlier letter that I testified to earlier that preceded the AB 506 process. So

that's not part of my answer.
Q. And that's with respect to the COLA change --
A. Yes.
Q. -- that Mr. Neal referenced you to?
A. That's correct. Yes.
Q. And would it also be fair to say that during the AB 506 process, not only did the City not request a modification of its obligations, but that CalPERS during that process did not offer to the City to reduce the obligations that it owed to CalPERS; is that a fair statement?
A. Yes.
Q. So when you say that the --
A. It's an accurate statement.
Q. Thank you.
When you say that CalPERS participated in the AB 506 process, that participation did not in any way consist of either the receipt of offers from the City of Stockton nor the making of offers to the City by CalPERS; is that accurate?
MR. RYAN: Object to the form. Compound.
THE WITNESS: Yes.
MR. RYAN: Outside the scope.
BY MR. GARDENER:

EXHIBIT J

CalPERS

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

October 2012

MISCELLANEOUS PLAN OF THE CITY OF STOCKTON (CalPERS ID 6373973665)
Annual Valuation Report as of June 30, 2011

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2011 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

The CalPERS' Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2011 valuation. In addition, 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." **As noted on page 13 of the report, your plan can elect not to phase-in the cost of the assumption change by notifying your plan actuary prior to May 1, 2013.**

Future Contribution Rates

The exhibit below displays the required employer contribution rate before any cost sharing and Superfunded status for 2013/2014 along with estimates of the contribution rate for 2014/2015 and 2015/2016 and the probable Superfunded status for 2014/2015. The estimated rate for 2014/2015 is based solely on a projection of the investment return for fiscal 2011/2012, namely 0%. The estimated rate for 2015/2016 uses the valuation assumption of 7.5% as the investment return for fiscal 2012/2013. See Appendix D, "Analysis of Future Investment Return Scenarios", for rate projections under a variety of investment return scenarios. **These rates may not be GASB compliant.** See Appendix C for the GASB compliant rate. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2013/2014	17.939%	NO
2014/2015	19.6% (projected)	NO
2015/2016	20.2% (projected)	N/A

Member contributions other than cost sharing, (whether paid by the employer or the employee) are in addition to the above rates.

The estimates for 2014/2015 and 2015/2016 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 2014/2015 will be provided in next year's report.

California Actuarial Advisory Panel Recommendations

The report satisfies all basic disclosure requirements under the Model Disclosure Elements for Actuarial Valuation Reports recommended by the California Actuarial Advisory Panel, except for the original base amounts of the various components of the unfunded liability amortization.

The report gives the following additional information classified as enhanced risk disclosures under the Model Disclosure Elements for Actuarial Valuation Reports recommended by the California Actuarial Advisory Panel:

- "Deterministic stress test", projecting future results under different investment income scenarios. (See Appendix D's Analysis of Future Investment Return Scenarios.)
- "Sensitivity analysis", showing the impact on current valuation results of a plus or minus 1% change in the discount rate. (See Appendix D's Analysis of Discount Rate Sensitivity.)

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,

Alan Milligan

ALAN MILLIGAN
Chief Actuary

CalPERS

ACTUARIAL VALUATION

as of June 30, 2011

for the
MISCELLANEOUS PLAN
of the
CITY OF STOCKTON

(CalPERS ID 6373973665)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2013 – June 30, 2014

TABLE OF CONTENTS

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, 2011 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

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

Kelly Sturm

KELLY STURM, ASA, MAAA
Associate Pension Actuary, CalPERS

HIGHLIGHTS AND EXECUTIVE SUMMARY

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

Purpose of the Report

This report presents the results of the June 30, 2011 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, 2011;
- determine the required employer contribution rate for this plan for the fiscal year July 1, 2013 through June 30, 2014;
- provide actuarial information as of June 30, 2011 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2011 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 alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contribution

Required Employer Contributions	Fiscal Year 2012/2013	Fiscal Year 2013/2014
1. Contribution in Projected Dollars		
a) Total Normal Cost	$ 10,692,583	$ 10,319,364
b) Employee Contribution[1]	$ 4,334,496	$ 4,107,560
c) Employer Normal Cost [(1a) – (1b)]	6,358,087	6,211,804
d) Unfunded Contribution	$ 4,095,062	$ 4,314,437
e) Total Employer Contribution [(1c) + (1d)]	10,453,149	10,526,241
f) Employee Cost Sharing	$	$ 0
g) Net Employer Contribution [(1e) – (1f)]		10,526,241
Annual Lump Sum Prepayment Option[2] [(1g) / 1.075^.5]	10,070,209	10,152,408
2. Contribution as a Percentage of Payroll		
a) Total Normal Cost	17.268%	17.586%
b) Employee Contribution[1]	7.000%	7.000%
c) Employer Normal Cost [(2a) – (2b)]	10.268%	10.586%
d) Unfunded Rate	6.613%	7.353%
e) Total Employer Rate [(2c) + (2d)]	16.881%	17.939%
f) Employee Cost Sharing		0.000%
g) Net Employer Contribution Rate [(2e) – (2f)]		17.939%

[1]This is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula. Employee cost sharing is shown separately and is therefore not included in this line item.

[2]Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30.

Funded Status

	June 30, 2010	June 30, 2011
1. Present Value of Projected Benefits	$ 622,602,191	$ 639,969,106
2. Entry Age Normal Accrued Liability	$ 548,129,809	$ 568,852,600
3. Actuarial Value of Assets (AVA)	495,325,729	513,963,229
4. Unfunded Liability (AVA Basis) [(2) – (3)]	$ 52,804,080	$ 54,889,371
5. Funded Ratio (AVA Basis) [(3) / (2)]	90.4%	90.4%
6. Market Value of Assets (MVA)	$ 383,364,117	$ 450,853,223
7. Unfunded Liability (MVA Basis) [(2) – (6)]	164,765,692	117,999,377
8. Funded Ratio (MVA Basis) [(6) / (2)]	69.9%	79.3%
Superfunded Status	No	No

Cost

Actuarial Cost Estimates in General

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

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

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5% for the past twenty year period ending June 30, 2012, returns for each fiscal year ranged from -24% to +21.7%

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 or Accrued Liability (i.e., the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

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

Changes since the Prior Valuation

Actuarial Assumptions

The CalPERS Actuarial office conducted a study and hired an independent evaluator to assess current economic assumptions. Based on the information from both studies, the CalPERS Board of Administration has adopted updated economic assumptions to be used beginning with the June 30, 2011 valuation. In particular, the recommendation based on both studies was to lower the price inflation from 3.00 to 2.75 percent.

Lowering the price inflation had a direct impact on the Investment Return and the Overall Payroll Growth assumptions. The Investment Return assumption is calculated as the sum of the price inflation and the real rate of return. Our assumed real rate of return is 4.75 percent. When added to our new price inflation of 2.75 percent, the resulting investment return is 7.50 percent. The Overall Payroll Growth is calculated as the sum of the price inflation and real wage inflation. Our assumed real wage inflation is 0.25 percent. When added to our new price inflation of 2.75 percent, the resulting overall payroll growth is 3.00 percent.

The new assumptions are described in Appendix A. The effect of change in assumption on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on your employer contribution rate is included in the "Reconciliation of Required Employer Contributions". **As noted on page 13 of the report, your plan can elect not to phase-in the cost of the assumption change by notifying your plan actuary prior to May 1, 2013.**

The limitations on benefits imposed by Internal Revenue Code Section 415 were taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results and no additional charge to the change in assumptions base was added.

Actuarial Methods

A method change was adopted by the CalPERS Board in June 2009. We are in the third 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 06/30/10 - 06/30/11
- SCHEDULE OF AMORTIZATION BASES
- RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS
- EMPLOYER CONTRIBUTION RATE HISTORY
- FUNDING HISTORY
- HYPOTHETICAL TERMINATION LIABILITY

Development of Accrued and Unfunded Liabilities

1.	Present Value of Projected Benefits		
	a) Active Members	$	251,756,113
	b) Transferred Members		22,763,328
	c) Terminated Members		8,967,525
	d) Members and Beneficiaries Receiving Payments		356,482,140
	e) Total	$	639,969,106
2.	Present Value of Future Employer Normal Costs	$	41,568,577
3.	Present Value of Future Employee Contributions	$	29,547,929
4.	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]	$	180,639,607
	b) Transferred Members (1b)		22,763,328
	c) Terminated Members (1c)		8,967,525
	d) Members and Beneficiaries Receiving Payments (1d)		356,482,140
	e) Total	$	568,852,600
5.	Actuarial Value of Assets (AVA)	$	513,963,229
6.	Unfunded Accrued Liability (AVA Basis) [(4e) – (5)]	$	54,889,371
7.	Funded Ratio (AVA Basis) [(5) / (4e)]		90.4%
8.	Market Value of Assets (MVA)	$	450,853,223
9.	Unfunded Liability (MVA Basis) [(4e) - (8)]	$	117,999,377
10.	Funded Ratio (MVA Basis) [(8) / (4e)]		79.3%

(Gain)/Loss Analysis 6/30/10 – 6/30/11

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

A	**Total (Gain)/Loss for the Year***		
1.	Unfunded Accrued Liability (UAL) as of 6/30/10	$	52,804,080
2.	Expected Payment on the UAL during 2010/2011		2,218,248
3.	Interest through 6/30/11 [.0775 x (A1) - ((1.0775)$^{1/2}$ - 1) x (A2)]		4,007,963
4.	Expected UAL before all other changes [(A1) - (A2) + (A3)]		54,593,795
5.	Change due to plan changes		4,033,437
6.	Change due to assumption change		595,033
7.	Expected UAL after all other changes [(A4) + (A5) + (A6)]		59,222,265
8.	Actual UAL as of 6/30/11		54,889,371
9.	Total (Gain)/Loss for 2010/2011 [(A8) - (A7)]	$	(4,332,894)
B	**Contribution (Gain)/Loss for the Year**		
1.	Expected Contribution (Employer and Employee)	$	12,248,284
2.	Interest on Expected Contributions		465,765
3.	Actual Contributions		12,805,695
4.	Interest on Actual Contributions		486,962
5.	Expected Contributions with Interest [(B1) + (B2)]		12,714,049
6.	Actual Contributions with Interest [(B3) + (B4)]		13,292,657
7.	Contribution (Gain)/Loss [(B5) - (B6)]	$	(578,608)
C	**Asset (Gain)/Loss for the Year**		
1.	Actuarial Value of Assets as of 6/30/10 Including Receivables	$	495,325,729
2.	Receivables as of 6/30/10		510,605
3.	Actuarial Value of Assets as of 6/30/10		494,815,124
4.	Contributions Received		12,805,695
5.	Benefits and Refunds Paid		(27,362,477)
6.	Transfers and miscellaneous adjustments		48,733
7.	Expected Int. [.0775 x (C3) + ((1.0775)$^{1/2}$ - 1) x ((C4) + (C5) + (C6))]		37,796,475
8.	Expected Assets as of 6/30/11 [(C3) + (C4) + (C5) + (C6) + (C7)]		518,103,550
9.	Receivables as of 6/30/11		367,537
10.	Expected Assets Including Receivables		518,471,087
11.	Actual Actuarial Value of Assets as of 6/30/11		513,963,229
12.	Asset (Gain)/Loss [(C10) - (C11)]	$	4,507,858
D	**Liability (Gain)/Loss for the Year**		
1.	Total (Gain)/Loss (A9)	$	(4,332,894)
2.	Contribution (Gain)/Loss (B7)		(578,608)
3.	Asset (Gain)/Loss (C12)		4,507,858
4.	Liability (Gain)/Loss [(D1) - (D2) - (D3)]	$	(8,262,144)

Development of the (Gain)/Loss Balance as of 6/30/11**

1.	(Gain)/Loss Balance as of 6/30/10	$	18,538,699
2.	Payment Made on the Balance during 2010/2011		1,113,267
3.	Interest through 6/30/11 [.0775 x (1) - ((1.0775)$^{1/2}$ - 1) x (2)]		1,394,415
4.	Scheduled (Gain)/Loss Balance as of 6/30/11 [(1) - (2) + (3)]	$	18,819,847

* The Total (Gain)/Loss for 2010/2011 is being amortized over a fixed and declining 30-year period and is shown as "Special (Gain)/Loss" in the "Schedule of Amortization Bases" on the following page.

** This (Gain)/Loss represents the 6/30/11 balance of the accumulation of (gains)/losses through 6/30/08 and is amortized using a rolling 30-year period. Gains and losses incurred after 6/30/2011 will again accumulate to this base.

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, 2011).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2013/2014).

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 2013/2014		
Reason for Base	Date Established	Amortization Period	Balance 6/30/11	Expected Payment 2011/2012	Balance 6/30/12	Expected Payment 2012/2013	Balance 6/30/13	Scheduled Payment for 2013–2014	Payment as Percent-age of Payroll
FRESH START	06/30/06	12	$13,919,036	$1,341,881	$13,571,672	$1,385,492	$13,153,039	$1,422,229	2.424%
(GAIN)/LOSS	06/30/08	30	$18,819,847	$1,130,150	$19,059,571	$1,147,289	$19,299,504	$1,158,945	1.975%
ASSUMPTION CHANGE	06/30/09	18	$12,610,127	$952,458	$12,568,357	$983,412	$12,491,361	$1,009,861	1.721%
SPECIAL (GAIN)/LOSS	06/30/09	28	$16,025,553	$962,350	$16,229,684	$993,626	$16,416,697	$1,020,794	1.740%
SPECIAL (GAIN)/LOSS	06/30/10	29	$(6,848,912)	$0	$(7,362,580)	$(443,158)	$(7,455,298)	$(455,325)	(0.776%)
GOLDEN HANDSHAKE	06/30/11	20	$4,033,437	$0	$4,335,945	$0	$4,661,141	$351,941	0.600%
ASSUMPTION CHANGE	06/30/11	20	$595,033	$(47,567)	$688,979	$(48,994)	$791,450	$19,920	0.034%
SPECIAL (GAIN)/LOSS	06/30/11	30	$(4,332,894)	$0	$(4,657,861)	$0	$(5,007,201)	$(300,685)	(0.512%)
PAYMENT (GAIN)/LOSS	06/30/11	30	$68,144	$(824,259)	$927,865	$(431,386)	$1,444,725	$86,757	0.148%
TOTAL			**$54,889,371**	**$3,515,013**	**$55,361,632**	**$3,586,281**	**$55,795,418**	**$4,314,437**	**7.353%**

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.

The discount rate assumption is 7.5% after June 30, 2011 in the amortization schedule above.

Note: The assumption change at June 30, 2011 was phased-in over a two-year period. Without the phase-in, the total payment on the amortization bases would increase from 7.353% to 7.421%. Your plan can elect not to phase-in the cost of the assumption change by notifying your plan actuary prior to May 1, 2013. The required employer contribution rate with no phase-in is 18.007%.

Reconciliation of Required Employer Contributions

	Percentage of Projected Payroll	Estimated $ Based on Projected Payroll
1. Contribution for 7/1/12 – 6/30/13	16.881%	$ 10,453,149
2. Effect of changes since the prior year annual valuation		
a) Effect of unexpected changes in demographics and financial results	0.338%	197,873
b) Effect of plan changes	0.600%	352,077
c) Effect of changes in Assumptions	0.120%	70,415
d) Effect of change in payroll	-	(547,273)
e) Effect of elimination of amortization base	0.000%	0
f) Effect of changes due to Fresh Start	0.000%	0
g) Net effect of the changes above [Sum of (a) through (f)]	1.058%	73,092
3. Contribution for 7/1/13 – 6/30/14 [(1)+(2g)]	17.939%	10,526,241

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

Employer Contribution Rate History

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

Required By Valuation

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
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%
2013 - 2014	10.586%	7.353%	17.939%

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
06/30/07	$ 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
06/30/11	$ 568,852,600	$ 513,963,229	$ 450,853,223	90.4%	79.3%	$ 53,699,986

Hypothetical Termination Liability

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

The table below shows the hypothetical termination liability, the market value of assets, the unfunded termination liability and the termination funded ratio. The assumptions used, including the discount rate, are stated in Appendix A and take into account the yields available in the US Treasury market on the valuation date and the mortality load for contingencies. The discount rate is duration weighted and is not necessarily the rate that would be used for this plan if it were to terminate. The discount rate for this plan's termination liability would depend on the duration of the liabilities of this plan. For purposes of this estimate, the discount rate used, 4.82%, is the June 30, 2011 30-year US Treasury Stripped Coupon Rate. Please note, as of June 30, 2012 the 30-year US Treasury Stripped Coupon Rate was 2.87%.

Valuation Date	Hypothetical Termination Liability	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Discount Rate
06/30/11	$ 808,560,358	$ 450,853,223	$ 357,707,135	55.8%	4.82%

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 6/30/10 Including Receivables	$	383,364,117
2.	Receivables for Service Buybacks as of 6/30/10		510,605
3.	Market Value of Assets as of 6/30/10		382,853,512
4.	Employer Contributions		7,479,032
5.	Employee Contributions		5,326,663
6.	Benefit Payments to Retirees and Beneficiaries		(27,208,149)
7.	Refunds		(146,698)
8.	Lump Sum Payments		(7,630)
9.	Transfers and Miscellaneous Adjustments		48,733
10.	Investment Return		82,140,221
11.	Market Value of Assets as of 6/30/11	$	450,485,686
12.	Receivables for Service Buybacks as of 6/30/11		367,537
13.	Market Value of Assets as of 6/30/11 Including Receivables	$	450,853,223

Development of the Actuarial Value of Assets

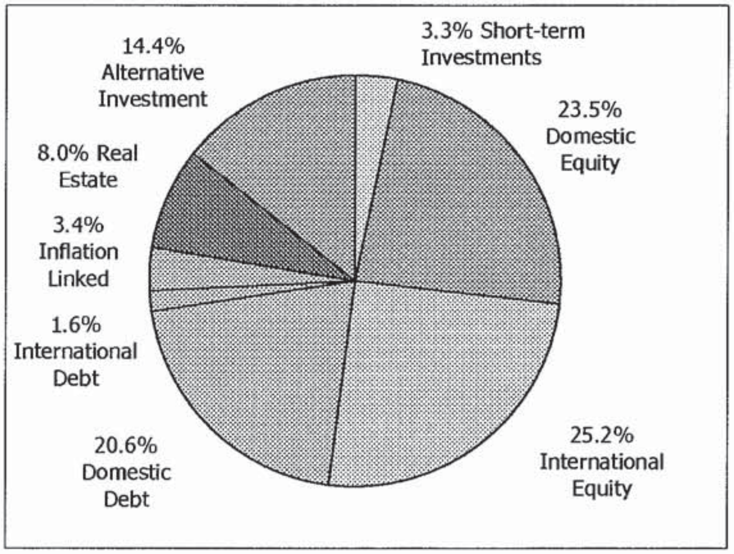
1.	Actuarial Value of Assets as of 6/30/10 Used For Rate Setting Purposes	$	495,325,729
2.	Receivables for Service Buybacks as of 6/30/10		510,605
3.	Actuarial Value of Assets as of 6/30/10		494,815,124
4.	Employer Contributions		7,479,032
5.	Employee Contributions		5,326,663
6.	Benefit Payments to Retirees and Beneficiaries		(27,208,149)
7.	Refunds		(146,698)
8.	Lump Sum Payments		(7,630)
9.	Transfers and Miscellaneous Adjustments		48,733
10.	Expected Investment Income at 7.75%		37,796,475
11.	Expected Actuarial Value of Assets	$	518,103,550
12.	Market Value of Assets as of 6/30/11	$	450,485,686
13.	Preliminary Actuarial Value of Assets [(11) + ((12) – (11)) / 15]		513,595,692
14.	Maximum Actuarial Value of Assets (120% of (12))		540,582,823
15.	Minimum Actuarial Value of Assets (80% of (12))		360,388,549
16.	Actuarial Value of Assets {Lesser of [(14), Greater of ((13), (15))]}		513,595,692
17.	Actuarial Value to Market Value Ratio		114.0%
18.	Receivables for Service Buybacks as of 6/30/11		367,537
19.	Actuarial Value of Assets as of 6/30/11 Used for Rate Setting Purposes	$	513,963,229

Asset Allocation

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class. The current target allocation was adopted by the Board in December 2010.

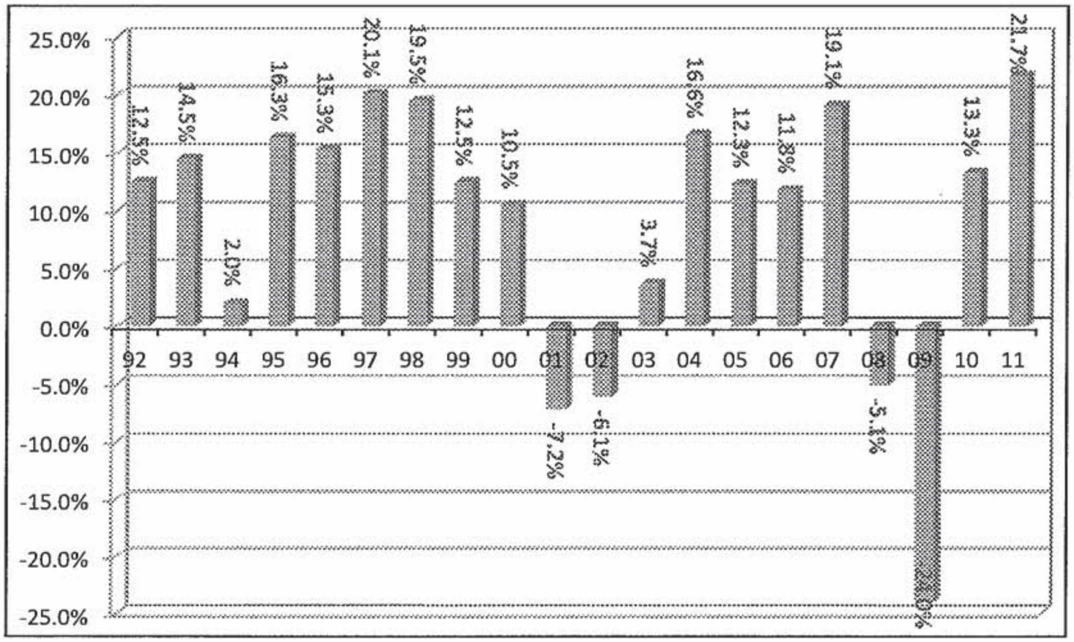
The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirety as of June 30, 2011. The assets for CITY OF STOCKTON MISCELLANEOUS PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value ($ Billion)	(C) Current Allocation
1) Short-Term Investments	7.9	3.3%
2) Domestic Equity	56.3	23.5%
3) International Equity	60.4	25.2%
4) Domestic Debt	49.2	20.6%
5) International Debt	3.9	1.6%
6) Inflation Linked	8.1	3.4%
7) Real Estate	19.1	8.0%
8) Alternative Investment	34.4	14.4%
Total Fund	**$239.3**	**100.0%**



CalPERS 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, 2010	June 30, 2011
1. **Active Members**		
a) Counts	894	850
b) Average Attained Age	47.03	47.17
c) Average Entry Age to Rate Plan	35.07	35.34
d) Average Years of Service	11.96	11.83
e) Average Annual Covered Pay	$ 62,926	$ 63,176
f) Annual Covered Payroll	56,256,198	53,699,986
g) Projected Annual Payroll for Contribution Year	61,921,370	58,679,425
h) Present Value of Future Payroll	446,688,238	422,189,114
2. **Transferred Members**		
a) Counts	494	469
b) Average Attained Age	42.60	42.73
c) Average Years of Service	2.50	2.61
d) Average Annual Covered Pay	$ 77,496	$ 79,907
3. **Terminated Members**		
a) Counts	509	495
b) Average Attained Age	44.02	44.54
c) Average Years of Service	2.52	2.63
d) Average Annual Covered Pay	$ 36,476	$ 37,061
4. **Retired Members and Beneficiaries**		
a) Counts	1,622	1,683
b) Average Attained Age	69.37	69.38
c) Average Annual Benefits	$ 15,709	$ 16,541
5. **Active to Retired Ratio** [(1a) / (4a)]	0.55	0.51

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	4	0	0	0	0	0	4
25-29	46	7	0	0	0	0	53
30-34	39	16	9	0	0	0	64
35-39	32	26	24	2	0	0	84
40-44	55	22	35	20	3	0	135
45-49	24	16	41	21	24	13	139
50-54	36	24	29	26	31	26	172
55-59	18	17	24	21	19	23	122
60-64	9	8	11	12	10	11	61
65 and over	6	5	5	0	0	0	16
All Ages	269	141	178	102	87	73	850

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	$41,575	$0	$0	$0	$0	$0	$41,575
25-29	47,361	51,486	0	0	0	0	47,906
30-34	50,924	63,929	60,796	0	0	0	55,564
35-39	53,203	55,338	66,994	77,749	0	0	58,389
40-44	48,431	79,190	66,966	67,574	59,164	0	61,323
45-49	57,895	63,823	68,058	71,374	74,010	78,253	68,298
50-54	61,856	70,305	61,112	79,454	62,248	63,489	65,887
55-59	71,243	60,779	62,003	61,841	70,454	76,062	67,134
60-64	62,342	80,753	63,504	76,479	72,939	74,002	71,587
65 and over	56,429	47,629	59,076	0	0	0	54,506
All Ages	$53,886	$65,178	$64,851	$71,451	$68,407	$71,664	$63,176

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	4	0	0	0	0	0	4	$48,556
25-29	44	0	0	0	0	0	44	70,505
30-34	95	3	1	0	0	0	99	78,117
35-39	60	4	0	0	0	0	64	79,302
40-44	52	8	2	0	0	0	62	80,015
45-49	43	13	0	2	1	0	59	87,580
50-54	40	9	10	4	0	0	63	87,230
55-59	38	8	1	1	1	0	49	79,242
60-64	17	5	0	1	0	0	23	77,732
65 and over	2	0	0	0	0	0	2	38,425
All Ages	395	50	14	8	2	0	469	79,907

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	7	0	0	0	0	0	7	$22,910
25-29	64	0	0	0	0	0	64	33,345
30-34	65	0	1	0	0	0	66	34,761
35-39	53	2	0	0	0	0	55	38,286
40-44	49	11	2	0	1	0	63	39,568
45-49	53	8	3	3	2	0	69	45,586
50-54	39	8	6	1	1	0	55	38,958
55-59	49	9	0	2	2	0	62	34,260
60-64	22	12	3	0	0	0	37	31,361
65 and over	13	3	1	0	0	0	17	34,425
All Ages	414	53	16	6	6	0	495	37,061

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	1	2
30-34	0	0	2	0	0	1	3
35-39	0	0	1	0	0	0	1
40-44	0	5	3	0	0	0	8
45-49	0	5	1	1	0	5	12
50-54	37	9	3	0	0	7	56
55-59	206	11	12	1	0	15	245
60-64	334	22	16	0	0	15	387
65-69	242	8	5	0	0	21	276
70-74	152	4	0	0	0	30	186
75-79	124	14	0	4	0	34	176
80-84	108	6	1	0	0	44	159
85 and Over	90	13	0	1	0	67	171
All Ages	1293	97	44	8	0	240	1,682

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	$3,893	$0	$4,314	$4,104
30-34	0	0	177	0	0	4,314	1,556
35-39	0	0	130	0	0	0	130
40-44	0	16,840	151	0	0	0	10,582
45-49	0	10,100	4,508	2,898	0	7,774	8,064
50-54	12,518	14,797	365	0	0	19,363	13,089
55-59	20,206	10,710	2,010	13,278	0	16,701	18,646
60-64	22,251	9,536	4,682	0	0	10,117	20,332
65-69	22,918	11,331	3,415	0	0	11,053	21,326
70-74	17,663	15,529	0	0	0	12,107	16,721
75-79	12,154	6,911	0	6,878	0	11,049	11,403
80-84	13,301	4,746	55	0	0	10,326	12,072
85 and Over	10,132	5,437	0	31	0	8,408	9,041
All Ages	$18,673	$9,734	$2,789	$5,952	$0	$10,725	$16,547

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	456	12	11	3	0	87	569
5-9	332	6	21	0	0	54	413
10-14	185	20	6	0	0	48	259
15-19	133	23	1	2	0	13	172
20-24	99	14	3	2	0	2	120
25-29	61	12	0	0	0	16	89
30 and Over	27	10	2	1	0	20	60
All Years	1293	97	44	8	0	240	1,682

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	$23,849	$16,499	$1,458	$6,690	$0	$13,396	$21,572
5-9	19,376	8,007	4,213	0	0	10,296	17,253
10-14	17,103	13,904	2,802	0	0	8,522	14,934
15-19	13,691	9,664	671	5,142	0	15,138	13,087
20-24	10,870	5,976	180	8,615	0	11,818	10,010
25-29	10,106	4,666	0	0	0	6,964	8,808
30 and Over	5,875	5,812	93	31	0	5,581	5,476
All Years	$18,673	$9,734	$2,789	$5,952	$0	$10,725	$16,547

* 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

ACTUARIAL METHODS AND ASSUMPTIONS

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

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:

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.

In June 2009, the CalPERS Board adopted changes to the asset smoothing method in order to phase in over a three year period 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

Actuarial Assumptions

Economic Assumptions

Discount Rate

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

Termination Liability Discount Rate

The discount rate is set by taking into account the yields available in the US Treasury market on the valuation date according to treasury rates along the yield curve that match the cash flows of the plans' expected benefit payout stream in future years. For purposes of this report, the termination liability discount rate used, 4.82%, is the 30-year US Treasury Stripped Coupon Rate as of the valuation date. Please note, as of June 30, 2012 the 30-year US Treasury Stripped Coupon Rate was 2.87%.

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

Public Agency Fire

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

Salary Growth (continued)

Public Agency Police

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

Public Agency County Peace Officers

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

Schools

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

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

Overall Payroll Growth

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

Inflation

2.75% compounded annually. This assumption is used for all plans.

Non-valued Potential Additional Liabilities

The potential liability loss for a cost-of-living increase exceeding the 2.75% 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

Benefit are 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.

Termination Liability

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

Demographic Assumptions

Pre-Retirement Mortality

Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial death rates are used for Safety Plans (except for Local Prosecutor safety members where the corresponding Miscellaneous Plan does not have the Industrial Death Benefit).

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

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

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date. The mortality assumption will be reviewed with the next experience study expected to be completed for the June 30, 2013 valuation to determine an appropriate margin to be used.

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

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

Termination with Refund

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

Public Agency Miscellaneous

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

Public Agency Safety

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

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

Schools

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

Termination with Vested Benefits

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

Public Agency Miscellaneous

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

Public Agency Safety

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

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

Schools

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

Non-Industrial (Not Job-Related) Disability

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

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

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

Industrial (Job-Related) Disability

Rates vary by age and category.

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

- The Police Industrial Disability rates are 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

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

Service Retirement

Public Agency Miscellaneous 1.5% @ 65

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

Public Agency Miscellaneous 2% @ 60

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

Service Retirement

Public Agency Miscellaneous 2% @ 55

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

Public Agency Miscellaneous 2.5% @ 55

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

Service Retirement

Public Agency Miscellaneous 2.7% @ 55

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

Public Agency Miscellaneous 3% @ 60

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

Service Retirement

Public Agency 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	0.014	0.014	0.014	0.014	0.025	0.045
51	0.012	0.012	0.012	0.012	0.023	0.040
52	0.026	0.026	0.026	0.026	0.048	0.086
53	0.052	0.052	0.052	0.052	0.096	0.171
54	0.070	0.070	0.070	0.070	0.128	0.227
55	0.090	0.090	0.090	0.090	0.165	0.293
56	0.064	0.064	0.064	0.064	0.117	0.208
57	0.071	0.071	0.071	0.071	0.130	0.232
58	0.063	0.063	0.063	0.063	0.115	0.205
59	0.140	0.140	0.140	0.140	0.174	0.254
60	0.140	0.140	0.140	0.140	0.172	0.251
61	0.140	0.140	0.140	0.140	0.172	0.251
62	0.140	0.140	0.140	0.140	0.172	0.251
63	0.140	0.140	0.140	0.140	0.172	0.251
64	0.140	0.140	0.140	0.140	0.172	0.251
65	1.000	1.000	1.000	1.000	1.000	1.000

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

Service Retirement

Public Agency Fire 2%@50

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

Public Agency Police 3%@ 55

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

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

Service Retirement

Public Agency Fire 3%@55

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

Public Agency Police 3%@ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.070	0.070	0.070	0.131	0.193	0.249
51	0.050	0.050	0.050	0.095	0.139	0.180
52	0.061	0.061	0.061	0.116	0.171	0.220
53	0.069	0.069	0.069	0.130	0.192	0.247
54	0.071	0.071	0.071	0.134	0.197	0.255
55	0.090	0.090	0.090	0.170	0.250	0.322
56	0.069	0.069	0.069	0.130	0.191	0.247
57	0.080	0.080	0.080	0.152	0.223	0.288
58	0.087	0.087	0.087	0.164	0.242	0.312
59	0.090	0.090	0.090	0.170	0.251	0.323
60	0.135	0.135	0.135	0.255	0.377	0.485
61	0.090	0.090	0.090	0.170	0.251	0.323
62	0.113	0.113	0.113	0.213	0.314	0.404
63	0.090	0.090	0.090	0.170	0.251	0.323
64	0.090	0.090	0.090	0.170	0.251	0.323
65	1.000	1.000	1.000	1.000	1.000	1.000

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

Service Retirement

Public Agency Fire 3%@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

Schools 2%@ 55

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

Miscellaneous

Superfunded Status

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 taken into account in this valuation. Each year the impact of any changes in this limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base.

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. Each year the impact of any changes in this compensation limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base.

APPENDIX B

PLAN PROVISIONS

- **SUMMARY OF PLAN'S MAJOR BENEFIT OPTIONS**
- **DESCRIPTIONS OF CALPERS' PRINCIPAL PLAN PROVISIONS**

Summary of Plan's Major Benefit Options

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

	Coverage Group				
Benefit Provision	70001	70002	70401	70402	
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	

Description of CalPERS' 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%	2.418%	2.418%	2.5%	2.7%	3.0%
64	1.4334%	2.418%	2.418%	2.5%	2.7%	3.0%
65 & Up	1.5000%	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 greater. 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. Final compensation must be defined by the highest 36 consecutive months' pay under the 1.5% at 65 formula.

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

- The Miscellaneous Service Retirement benefit is not capped. The Safety Service Retirement benefit is capped at 90% 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 (55 for employees hired into a 1.5% @ 65 plan).

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 7.5% 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

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 (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%

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 based on any optional benefit for which a contract amendment was made on or after January 1, 1979.

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. More information on this benefit is available on 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, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. The unadjusted GASB compliant contribution rate for the indicated period is 17.939% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, this contribution rate, less any employee cost sharing, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2013 to June 30, 2014. The employer and the employer's auditor are responsible for determining the NPO and the APC.

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

	Retirement Program
Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	21 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year 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 (AVA) (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
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%
06/30/11	568,852,600	513,963,229	54,889,371	90.4%	79.3%	53,699,986	102.2%

APPENDIX D

RISK ANALYSIS

- **VOLATILITY RATIOS**
- **ANALYSIS OF FUTURE INVESTMENT RETURN SCENARIOS**
- **ANALYSIS OF DISCOUNT RATE SENSITIVITY**

Volatility Ratios

The actuarial calculations supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year to year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise the employer's rates from one year to the next. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

Plans that have higher asset to payroll ratios produce more volatile employer rates due to investment return. For example, a plan with an asset to payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an asset to payroll ratio of 4. Below we have shown your asset volatility ratio, a measure of the plan's current rate volatility. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio

Plans that have higher liability to payroll ratios produce more volatile employer rates due to investment return and changes in liability. For example, a plan with a liability to payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability to payroll ratio of 4. The liability volatility ratio is also included in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility and the asset volatility ratio, described above, will tend to move closer to this ratio as the plan matures.

Rate Volatility		As of June 30, 2011
1. Market Value of Assets without Receivables	$	450,485,686
2. Payroll		53,699,986
3. Asset Volatility Ratio (1. / 2.)		8.4
4. Accrued Liability	$	568,852,600
5. Liability Volatility Ratio (4. / 2.)		10.6

Analysis of Future Investment Return Scenarios

The investment return for fiscal year 2011-2012 was estimated to be 0%. 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. For purposes of projecting future employer rates, we are assuming a 0% investment return for fiscal year 2011-2012.

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 2011-2012 will first be reflected in the June 30, 2012 actuarial valuation that will be used to set the 2014-2015 employer contribution rates, the 2012-2013 investment return will first be reflected in the June 30, 2013 actuarial valuation that will be used to set the 2015-2016 employer contribution rates and so forth.

Based on a 0% investment return for fiscal year 2011-2012 and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2014-2015, the effect on the 2014-2015 Employer Rate is as follows:

Estimated 2014-2015 Employer Rate	Estimated Increase in Employer Rate between 2013-2014 and 2014-2015
19.6%	1.7%

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2012-2013, 2013-2014 and 2014-2015 on the 2015-2016, 2016-2017 and 2017-2018 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, 2012 through June 30, 2015. The 5th percentile return corresponds to a -4.1% return for each of the 2012-2013, 2013-2014 and 2014-2015 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2012 through June 30, 2015. The 25th percentile return corresponds to a 2.6% return for each of the 2012-2013, 2013-2014 and 2014-2015 fiscal years.
- The third scenario assumed the return for 2012-2013, 2013-2014, 2014-2015 would be our assumed 7.5% 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, 2012 through June 30, 2015. The 75th percentile return corresponds to a 11.9% return for each of the 2012-2013, 2013-2014 and 2014-2015 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, 2012 through June 30, 2015. The 95th percentile return corresponds to a 18.5% return for each of the 2012-2013, 2013-2014 and 2014-2015 fiscal years.

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

2012-2015 Investment Return Scenario	Estimated Employer Rate			Estimated Change in Employer Rate between 2014-2015 and 2017-2018
	2015-2016	2016-2017	2017-2018	
-4.1% (5th percentile)	26.5%	32.6%	38.0%	18.4%
2.6% (25th percentile)	22.7%	25.6%	28.3%	8.7%
7.5%	20.2%	20.8%	21.4%	1.8%
11.9%(75th percentile)	20.1%	20.4%	20.6%	1.0%
18.5%(95th percentile)	19.9%	19.7%	19.2%	-0.4%

Analysis of Discount Rate Sensitivity

The following analysis looks at the 2013-2014 employer contribution rates under two different discount rate scenarios. Shown below are the employer contribution rates assuming discount rates that are 1% lower and 1% higher than the current valuation discount rate. This analysis gives an indication of the potential required employer contribution rates if the PERF were to realize investment returns of 6.50% or 8.50% over the long-term.

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

2013-2014 Employer Contribution Rate			
As of June 30, 2011	**6.50% Discount Rate (-1%)**	**7.50% Discount Rate (assumed rate)**	**8.50% Discount Rate (+1%)**
Employer Normal Cost	14.982%	10.586%	7.251%
Unfunded Rate Payment	17.408%	7.353%	(2.550%)
Total	32.390%	17.939%	4.701%

APPENDIX E

GLOSSARY OF ACTUARIAL TERMS

Glossary of Actuarial Terms

Accrued Liability *(also called Actuarial Accrued Liability or Entry Age Normal Accrued Liability)*
The total dollars needed as of the valuation date to fund all benefits earned in the past for *current* members.

Actuarial Assumptions
Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include discount rate, salary growth and inflation.

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

Actuarial Valuation
The determination, as of a valuation date, of the Normal Cost, Accrued liability, Actuarial Value of Assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Actuarial Value of Assets
The Actuarial Value of Assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years.

This method helps to dampen large fluctuations in the employer contribution rate.

Amortization Bases
Separate payment schedules for different portions of the Unfunded Liability. The total Unfunded Liability of a Risk Pool or non-pooled plan can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. 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.) but all bases are amortized using investment and payroll assumptions from the current valuation.

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.

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

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

(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member 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.)

Entry Age Normal Cost Method

An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll.
(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member on the date of hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Fresh Start

A Fresh Start is 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 or risk pool is. Or equivalently, how "on track" a plan or risk pool is with respect to assets vs. accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets. A funded ratio based on the Actuarial Value of Assets indicates the progress toward fully funding the plan using the actuarial cost methods and assumptions. A funded ratio based on the Market Value of Assets indicates the short-term solvency of the plan.

GASB 27

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

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 (PVB)

The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for *current* members.

Rolling Amortization Period

An amortization period that remains the same each year, rather than declining.

Superfunded

A condition existing when a plan's Actuarial Value of Assets exceeds its Present Value of Benefits. 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

When a plan or pool's Actuarial Value of Assets is less than its Accrued Liability, the difference is the plan or pool's Unfunded Liability of the Unfunded Liability is positive, the plan or pool will have to pay contributions exceeding the Normal Cost.

EXHIBIT K

CalPERS

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

October 2012

SAFETY PLAN OF THE CITY OF STOCKTON (CalPERS ID 6373973665)
Annual Valuation Report as of June 30, 2011

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2011 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

The CalPERS' Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2011 valuation. In addition, 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." **As noted on page 13 of the report, your plan can elect not to phase-in the cost of the assumption change by notifying your plan actuary prior to May 1, 2013.**

Future Contribution Rates

The exhibit below displays the required employer contribution rate before any cost sharing and Superfunded status for 2013/2014 along with estimates of the contribution rate for 2014/2015 and 2015/2016 and the probable Superfunded status for 2014/2015. The estimated rate for 2014/2015 is based solely on a projection of the investment return for fiscal 2011/2012, namely 0%. The estimated rate for 2015/2016 uses the valuation assumption of 7.5% as the investment return for fiscal 2012/2013. See Appendix D, "Analysis of Future Investment Return Scenarios", for rate projections under a variety of investment return scenarios. **These rates may not be GASB compliant.** See Appendix C for the GASB compliant rate. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2013/2014	34.605%	NO
2014/2015	38.9% (projected)	NO
2015/2016	39.8% (projected)	N/A

Member contributions other than cost sharing, (whether paid by the employer or the employee) are in addition to the above rates.

The estimates for 2014/2015 and 2015/2016 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 2014/2015 will be provided in next year's report.

California Actuarial Advisory Panel Recommendations

The report satisfies all basic disclosure requirements under the Model Disclosure Elements for Actuarial Valuation Reports recommended by the California Actuarial Advisory Panel, except for the original base amounts of the various components of the unfunded liability amortization.

The report gives the following additional information classified as enhanced risk disclosures under the Model Disclosure Elements for Actuarial Valuation Reports recommended by the California Actuarial Advisory Panel:

- "Deterministic stress test", projecting future results under different investment income scenarios. (See Appendix D's Analysis of Future Investment Return Scenarios.)
- "Sensitivity analysis", showing the impact on current valuation results of a plus or minus 1% change in the discount rate. (See Appendix D's Analysis of Discount Rate Sensitivity.)

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,

Alan Milligan

ALAN MILLIGAN
Chief Actuary

CalPERS

ACTUARIAL VALUATION

as of June 30, 2011

for the
SAFETY PLAN
of the
CITY OF STOCKTON

(CalPERS ID 6373973665)

REQUIRED CONTRIBUTIONS FOR FISCAL YEAR July 1, 2013 – June 30, 2014

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ACTUARIAL CERTIFICATION

To the best of our knowledge, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the SAFETY PLAN OF THE CITY OF STOCKTON. This valuation is based on the member and financial data as of June 30, 2011 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

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

Kelly Sturm

KELLY STURM, ASA, MAAA
Associate Pension Actuary, CalPERS

HIGHLIGHTS AND EXECUTIVE SUMMARY

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

Purpose of the Report

This report presents the results of the June 30, 2011 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, 2011;
- determine the required employer contribution rate for this plan for the fiscal year July 1, 2013 through June 30, 2014;
- provide actuarial information as of June 30, 2011 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2011 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 alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contribution

Required Employer Contributions		Fiscal Year 2012/2013		Fiscal Year 2013/2014
1. Contribution in Projected Dollars				
a) Total Normal Cost	$	17,898,897	$	16,760,403
b) Employee Contribution[1]	$	5,428,478	$	5,011,749
c) Employer Normal Cost [(1a) – (1b)]		12,470,419		11,748,654
d) Unfunded Contribution	$	6,704,208	$	7,521,294
e) Total Employer Contribution [(1c) + (1d)]		19,174,627		19,269,948
f) Employee Cost Sharing	$		$	0
g) Net Employer Contribution [(1e) – (1f)]				19,269,948
Annual Lump Sum Prepayment Option[2] [(1g) / 1.075^.5]		18,472,186		18,585,588
2. Contribution as a Percentage of Payroll				
a) Total Normal Cost		29.675%		30.098%
b) Employee Contribution[1]		9.000%		9.000%
c) Employer Normal Cost [(2a) – (2b)]		20.675%		21.098%
d) Unfunded Rate		11.115%		13.507%
e) Total Employer Rate [(2c) + (2d)]		31.790%		34.605%
f) Employee Cost Sharing[3]				0.000%
g) Net Employer Contribution Rate [(2e) – (2f)]				34.605%

[1]This is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula. Employee cost sharing is shown separately and is therefore not included in this line item.

[2]Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30.

[3]Because your contract includes cost sharing rates by employee category, cost sharing is not reflected anywhere in this report.

Funded Status

	June 30, 2010	June 30, 2011
1. Present Value of Projected Benefits	$ 914,777,607	$ 946,603,971
2. Entry Age Normal Accrued Liability	$ 758,325,561	$ 802,778,310
3. Actuarial Value of Assets (AVA)	662,601,684	685,732,778
4. Unfunded Liability (AVA Basis) [(2) – (3)]	$ 95,723,877	$ 117,045,532
5. Funded Ratio (AVA Basis) [(3) / (2)]	87.4%	85.4%
6. Market Value of Assets (MVA)	$ 509,873,530	$ 598,289,135
7. Unfunded Liability (MVA Basis) [(2) – (6)]	248,452,031	204,489,175
8. Funded Ratio (MVA Basis) [(6) / (2)]	67.2%	74.5%
Superfunded Status	No	No

Cost

Actuarial Cost Estimates in General

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

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

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5% for the past twenty year period ending June 30, 2012, returns for each fiscal year ranged from -24% to +21.7%

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 or Accrued Liability (i.e., the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

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

Changes since the Prior Valuation

Actuarial Assumptions

The CalPERS Actuarial office conducted a study and hired an independent evaluator to assess current economic assumptions. Based on the information from both studies, the CalPERS Board of Administration has adopted updated economic assumptions to be used beginning with the June 30, 2011 valuation. In particular, the recommendation based on both studies was to lower the price inflation from 3.00 to 2.75 percent.

Lowering the price inflation had a direct impact on the Investment Return and the Overall Payroll Growth assumptions. The Investment Return assumption is calculated as the sum of the price inflation and the real rate of return. Our assumed real rate of return is 4.75 percent. When added to our new price inflation of 2.75 percent, the resulting investment return is 7.50 percent. The Overall Payroll Growth is calculated as the sum of the price inflation and real wage inflation. Our assumed real wage inflation is 0.25 percent. When added to our new price inflation of 2.75 percent, the resulting overall payroll growth is 3.00 percent.

The new assumptions are described in Appendix A. The effect of change in assumption on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on your employer contribution rate is included in the "Reconciliation of Required Employer Contributions". **As noted on page 13 of the report, your plan can elect not to phase-in the cost of the assumption change by notifying your plan actuary prior to May 1, 2013.**

The limitations on benefits imposed by Internal Revenue Code Section 415 were taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results and no additional charge to the change in assumptions base was added.

Actuarial Methods

A method change was adopted by the CalPERS Board in June 2009. We are in the third 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 06/30/10 - 06/30/11
- SCHEDULE OF AMORTIZATION BASES
- RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS
- EMPLOYER CONTRIBUTION RATE HISTORY
- FUNDING HISTORY
- HYPOTHETICAL TERMINATION LIABILITY

Development of Accrued and Unfunded Liabilities

1.	Present Value of Projected Benefits		
	a) Active Members	$	385,445,707
	b) Transferred Members		7,019,468
	c) Terminated Members		3,439,354
	d) Members and Beneficiaries Receiving Payments		550,699,442
	e) Total	$	946,603,971
2.	Present Value of Future Employer Normal Costs	$	100,279,893
3.	Present Value of Future Employee Contributions	$	43,545,768
4.	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]	$	241,620,046
	b) Transferred Members (1b)		7,019,468
	c) Terminated Members (1c)		3,439,354
	d) Members and Beneficiaries Receiving Payments (1d)		550,699,442
	e) Total	$	802,778,310
5.	Actuarial Value of Assets (AVA)	$	685,732,778
6.	Unfunded Accrued Liability (AVA Basis) [(4e) – (5)]	$	117,045,532
7.	Funded Ratio (AVA Basis) [(5) / (4e)]		85.4%
8.	Market Value of Assets (MVA)	$	598,289,135
9.	Unfunded Liability (MVA Basis) [(4e) - (8)]	$	204,489,175
10.	Funded Ratio (MVA Basis) [(8) / (4e)]		74.5%

(Gain)/Loss Analysis 6/30/10 – 6/30/11

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

A	**Total (Gain)/Loss for the Year***		
1.	Unfunded Accrued Liability (UAL) as of 6/30/10	$	95,723,877
2.	Expected Payment on the UAL during 2010/2011		1,468,791
3.	Interest through 6/30/11 [.0775 x (A1) - (($1.0775)^{½}$ - 1) x (A2)]		7,362,747
4.	Expected UAL before all other changes [(A1) - (A2) + (A3)]		101,617,833
5.	Change due to plan changes		3,079,815
6.	Change due to assumption change		13,696,329
7.	Expected UAL after all other changes [(A4) + (A5) + (A6)]		118,393,977
8.	Actual UAL as of 6/30/11		117,045,532
9.	Total (Gain)/Loss for 2010/2011 [(A8) - (A7)]	$	(1,348,445)
B	**Contribution (Gain)/Loss for the Year**		
1.	Expected Contribution (Employer and Employee)	$	18,258,616
2.	Interest on Expected Contributions		694,320
3.	Actual Contributions		18,411,150
4.	Interest on Actual Contributions		700,120
5.	Expected Contributions with Interest [(B1) + (B2)]		18,952,936
6.	Actual Contributions with Interest [(B3) + (B4)]		19,111,270
7.	Contribution (Gain)/Loss [(B5) - (B6)]	$	(158,334)
C	**Asset (Gain)/Loss for the Year**		
1.	Actuarial Value of Assets as of 6/30/10 Including Receivables	$	662,601,684
2.	Receivables as of 6/30/10		779,684
3.	Actuarial Value of Assets as of 6/30/10		661,822,000
4.	Contributions Received		18,411,150
5.	Benefits and Refunds Paid		(39,292,021)
6.	Transfers and miscellaneous adjustments		(55,871)
7.	Expected Int. [.0775 x (C3) + (($1.0775)^{½}$ - 1) x ((C4) + (C5) + (C6))]		50,495,044
8.	Expected Assets as of 6/30/11 [(C3) + (C4) + (C5) + (C6) + (C7)]		691,380,302
9.	Receivables as of 6/30/11		598,451
10.	Expected Assets Including Receivables		691,978,753
11.	Actual Actuarial Value of Assets as of 6/30/11		685,732,778
12.	Asset (Gain)/Loss [(C10) - (C11)]	$	6,245,975
D	**Liability (Gain)/Loss for the Year**		
1.	Total (Gain)/Loss (A9)	$	(1,348,445)
2.	Contribution (Gain)/Loss (B7)		(158,334)
3.	Asset (Gain)/Loss (C12)		6,245,975
4.	Liability (Gain)/Loss [(D1) - (D2) - (D3)]	$	(7,436,086)

Development of the (Gain)/Loss Balance as of 6/30/11**

1.	(Gain)/Loss Balance as of 6/30/10	$	19,854,956
2.	Payment Made on the Balance during 2010/2011		1,192,309
3.	Interest through 6/30/11 [.0775 x (1) - (($1.0775)^{1/2}$ - 1) x (2)]		1,493,419
4.	Scheduled (Gain)/Loss Balance as of 6/30/11 [(1) - (2) + (3)]	$	20,156,066

* The Total (Gain)/Loss for 2010/2011 is being amortized over a fixed and declining 30-year period and is shown as "Special (Gain)/Loss" in the "Schedule of Amortization Bases" on the following page.

** This (Gain)/Loss represents the 6/30/11 balance of the accumulation of (gains)/losses through 6/30/08 and is amortized using a rolling 30-year period. Gains and losses incurred after 6/30/2011 will again accumulate to this base.

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, 2011).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2013/2014).

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 2013/2014		
Reason for Base	Date Established	Amorti-zation Period	Balance 6/30/11	Expected Payment 2011/2012	Balance 6/30/12	Expected Payment 2012/2013	Balance 6/30/13	Scheduled Payment for 2013–2014	Payment as Percent-age of Payroll
FRESH START	06/30/06	25	$22,304,013	$1,413,731	$22,511,026	$1,459,677	$22,685,928	$1,499,414	2.693%
(GAIN)/LOSS	06/30/08	30	$20,156,066	$1,210,391	$20,412,811	$1,228,748	$20,669,779	$1,241,231	2.229%
ASSUMPTION CHANGE	06/30/09	18	$16,627,413	$1,255,888	$16,572,337	$1,296,704	$16,470,811	$1,331,579	2.391%
SPECIAL (GAIN)/LOSS	06/30/09	28	$30,791,897	$1,849,083	$31,184,119	$1,909,179	$31,543,449	$1,961,378	3.522%
SPECIAL (GAIN)/LOSS	06/30/10	29	$11,724,842	$0	$12,604,205	$758,655	$12,762,930	$779,484	1.400%
GOLDEN HANDSHAKE	06/30/11	20	$3,079,815	$0	$3,310,801	$0	$3,559,111	$268,732	0.483%
ASSUMPTION CHANGE	06/30/11	20	$13,696,329	$(301,290)	$15,035,938	$(310,328)	$16,485,388	$414,912	0.745%
SPECIAL (GAIN)/LOSS	06/30/11	30	$(1,348,444)	$0	$(1,449,577)	$0	$(1,558,296)	$(93,576)	(0.168%)
PAYMENT (GAIN)/LOSS	06/30/11	30	$13,601	$(1,228,119)	$1,287,962	$(562,093)	$1,967,350	$118,140	0.212%
TOTAL			**$117,045,532**	**$4,199,684**	**$121,469,622**	**$5,780,542**	**$124,586,450**	**$7,521,294**	**13.507%**

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.

The discount rate assumption is 7.5% after June 30, 2011 in the amortization schedule above.

Note: The assumption change at June 30, 2011 was phased-in over a two-year period. Without the phase-in, the total payment on the amortization bases would increase from 13.507% to 14.997%. Your plan can elect not to phase-in the cost of the assumption change by notifying your plan actuary prior to May 1, 2013. The required employer contribution rate with no phase-in is 36.095%.

Reconciliation of Required Employer Contributions

	Percentage of Projected Payroll	Estimated $ Based on Projected Payroll
1. Contribution for 7/1/12 – 6/30/13	31.790%	$ 19,174,627
2. Effect of changes since the prior year annual valuation		
a) Effect of unexpected changes in demographics and financial results	1.013%	563,835
b) Effect of plan changes	0.483%	268,964
c) Effect of changes in Assumptions	1.319%	734,500
d) Effect of change in payroll	-	(1,471,978)
e) Effect of elimination of amortization base	0.000%	0
f) Effect of changes due to Fresh Start	0.000%	0
g) Net effect of the changes above [Sum of (a) through (f)]	2.815%	95,321
3. Contribution for 7/1/13 – 6/30/14 [(1)+(2g)]	34.605%	19,269,948

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

Employer Contribution Rate History

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

Required By Valuation

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
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%
2013 - 2014	21.098%	13.507%	34.605%

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
06/30/07	$ 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
06/30/11	$ 802,778,310	$ 685,732,778	$ 598,289,135	85.4%	74.5%	$ 50,960,671

Hypothetical Termination Liability

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

The table below shows the hypothetical termination liability, the market value of assets, the unfunded termination liability and the termination funded ratio. The assumptions used, including the discount rate, are stated in Appendix A and take into account the yields available in the US Treasury market on the valuation date and the mortality load for contingencies. The discount rate is duration weighted and is not necessarily the rate that would be used for this plan if it were to terminate. The discount rate for this plan's termination liability would depend on the duration of the liabilities of this plan. For purposes of this estimate, the discount rate used, 4.82%, is the June 30, 2011 30-year US Treasury Stripped Coupon Rate. Please note, as of June 30, 2012 the 30-year US Treasury Stripped Coupon Rate was 2.87%.

Valuation Date	Hypothetical Termination Liability	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Discount Rate
06/30/11	$ 1,186,712,063	$ 598,289,135	$ 588,422,928	50.4%	4.82%

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 6/30/10 Including Receivables	$	509,873,530
2.	Receivables for Service Buybacks as of 6/30/10		779,684
3.	Market Value of Assets as of 6/30/10		509,093,846
4.	Employer Contributions		12,600,426
5.	Employee Contributions		5,810,724
6.	Benefit Payments to Retirees and Beneficiaries		(39,234,862)
7.	Refunds		(57,159)
8.	Lump Sum Payments		0
9.	Transfers and Miscellaneous Adjustments		(55,871)
10.	Investment Return		109,533,580
11.	Market Value of Assets as of 6/30/11	$	597,690,684
12.	Receivables for Service Buybacks as of 6/30/11		598,451
13.	Market Value of Assets as of 6/30/11 Including Receivables	$	598,289,135

Development of the Actuarial Value of Assets

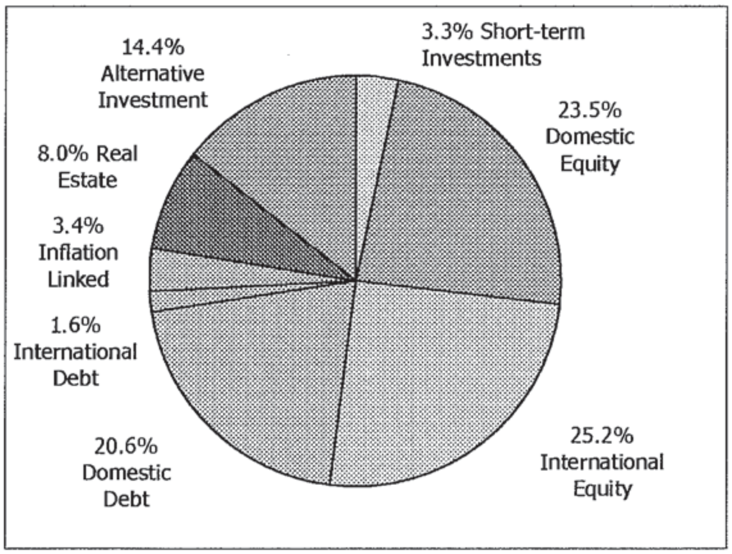
1.	Actuarial Value of Assets as of 6/30/10 Used For Rate Setting Purposes	$	662,601,684
2.	Receivables for Service Buybacks as of 6/30/10		779,684
3.	Actuarial Value of Assets as of 6/30/10		661,822,000
4.	Employer Contributions		12,600,426
5.	Employee Contributions		5,810,724
6.	Benefit Payments to Retirees and Beneficiaries		(39,234,862)
7.	Refunds		(57,159)
8.	Lump Sum Payments		0
9.	Transfers and Miscellaneous Adjustments		(55,871)
10.	Expected Investment Income at 7.75%		50,495,044
11.	Expected Actuarial Value of Assets	$	691,380,302
12.	Market Value of Assets as of 6/30/11	$	597,690,684
13.	Preliminary Actuarial Value of Assets [(11) + ((12) – (11)) / 15]		685,134,327
14.	Maximum Actuarial Value of Assets (120% of (12))		717,228,821
15.	Minimum Actuarial Value of Assets (80% of (12))		478,152,547
16.	Actuarial Value of Assets {Lesser of [(14), Greater of ((13), (15))]}		685,134,327
17.	Actuarial Value to Market Value Ratio		114.6%
18.	Receivables for Service Buybacks as of 6/30/11		598,451
19.	Actuarial Value of Assets as of 6/30/11 Used for Rate Setting Purposes	$	685,732,778

Asset Allocation

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class. The current target allocation was adopted by the Board in December 2010.

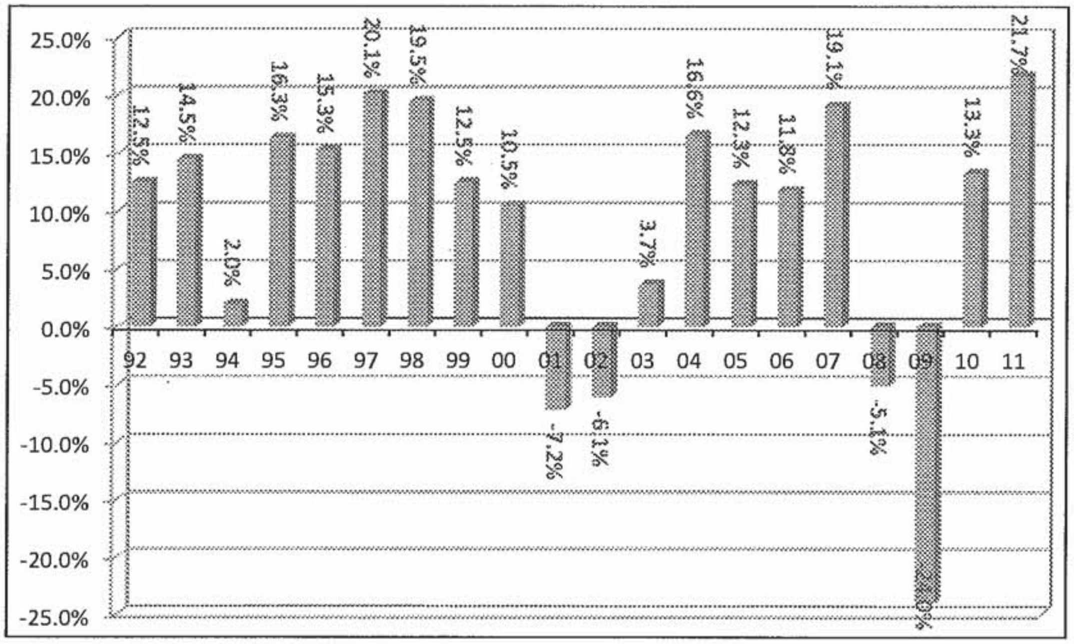
The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirety as of June 30, 2011. The assets for CITY OF STOCKTON SAFETY PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value ($ Billion)	(C) Current Allocation
1) Short-Term Investments	7.9	3.3%
2) Domestic Equity	56.3	23.5%
3) International Equity	60.4	25.2%
4) Domestic Debt	49.2	20.6%
5) International Debt	3.9	1.6%
6) Inflation Linked	8.1	3.4%
7) Real Estate	19.1	8.0%
8) Alternative Investment	34.4	14.4%
Total Fund	**$239.3**	**100.0%**



CalPERS 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, 2010	June 30, 2011
1. Active Members		
a) Counts	589	552
b) Average Attained Age	38.74	39.31
c) Average Entry Age to Rate Plan	27.25	27.20
d) Average Years of Service	11.49	12.11
e) Average Annual Covered Pay	$ 93,036	$ 92,320
f) Annual Covered Payroll	54,798,082	50,960,671
g) Projected Annual Payroll for Contribution Year	60,316,418	55,686,101
h) Present Value of Future Payroll	533,822,630	483,841,874
2. Transferred Members		
a) Counts	94	99
b) Average Attained Age	40.18	40.33
c) Average Years of Service	2.83	3.01
d) Average Annual Covered Pay	$ 80,540	$ 83,545
3. Terminated Members		
a) Counts	104	101
b) Average Attained Age	39.11	40.13
c) Average Years of Service	2.27	2.46
d) Average Annual Covered Pay	$ 52,918	$ 53,739
4. Retired Members and Beneficiaries		
a) Counts	690	718
b) Average Attained Age	64.44	64.62
c) Average Annual Benefits	$ 54,891	$ 57,110
5. Active to Retired Ratio [(1a) / (4a)]	0.85	0.77

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	3	0	0	0	0	0	3
25-29	32	23	0	0	0	0	55
30-34	31	61	11	1	0	0	104
35-39	16	43	48	16	0	0	123
40-44	5	32	28	53	23	0	141
45-49	0	6	15	37	37	17	112
50-54	0	0	2	3	2	4	11
55-59	0	0	0	2	0	1	3
60-64	0	0	0	0	0	0	0
65 and over	0	0	0	0	0	0	0
All Ages	87	165	104	112	62	22	552

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	$64,671	$0	$0	$0	$0	$0	$64,671
25-29	69,173	80,721	0	0	0	0	74,002
30-34	71,979	83,093	86,284	126,759	0	0	80,538
35-39	70,521	83,826	93,966	104,128	0	0	88,693
40-44	74,477	84,557	92,497	103,138	111,898	0	97,220
45-49	0	78,590	91,323	101,548	116,598	129,082	108,100
50-54	0	0	94,045	104,978	103,863	144,025	116,987
55-59	0	0	0	104,350	0	100,528	103,076
60-64	0	0	0	0	0	0	0
65 and over	0	0	0	0	0	0	0
All Ages	$70,571	$83,074	$92,378	$103,036	$114,444	$130,501	$92,320

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	8	1	0	0	0	0	9	78,379
30-34	17	0	0	0	0	0	17	75,896
35-39	15	2	0	1	0	0	18	80,808
40-44	22	5	4	0	0	0	31	89,749
45-49	10	4	1	0	0	0	15	81,746
50-54	5	2	0	0	0	0	7	91,004
55-59	1	0	0	0	0	0	1	73,583
60-64	1	0	0	0	0	0	1	101,718
65 and over	0	0	0	0	0	0	0	0
All Ages	79	14	5	1	0	0	99	83,545

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	12	0	0	0	0	0	12	53,738
30-34	14	1	0	0	0	0	15	55,143
35-39	21	0	3	0	0	0	24	59,170
40-44	20	4	0	0	1	0	25	51,718
45-49	10	1	2	0	0	0	13	52,816
50-54	7	0	0	0	0	0	7	47,270
55-59	2	0	1	0	0	0	3	33,598
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	88	6	6	0	1	0	101	53,739

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	0	0
30-34	0	0	3	0	0	0	3
35-39	0	0	4	0	0	0	4
40-44	0	1	28	0	0	0	29
45-49	0	0	22	0	1	0	23
50-54	59	1	33	0	1	2	96
55-59	58	0	38	0	1	7	104
60-64	62	0	54	0	1	9	126
65-69	70	3	36	0	2	13	124
70-74	34	0	25	0	1	11	71
75-79	34	1	12	0	1	13	61
80-84	22	0	5	0	0	20	47
85 and Over	11	0	1	0	1	17	30
All Ages	350	6	261	0	9	92	718

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

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	$0	$0	$0	$0	$0	$0	$0
30-34	0	0	36,154	0	0	0	36,154
35-39	0	0	40,378	0	0	0	40,378
40-44	0	9,625	41,906	0	0	0	40,793
45-49	0	0	34,345	0	74,627	0	36,096
50-54	92,903	12,749	49,503	0	65,025	55,337	76,076
55-59	80,052	0	67,694	0	75,052	38,900	72,718
60-64	75,150	0	68,762	0	28,383	39,840	69,519
65-69	63,946	40,309	47,915	0	29,645	28,503	54,451
70-74	54,068	0	51,750	0	29,673	37,801	50,388
75-79	43,511	23,938	46,747	0	34,563	32,441	41,321
80-84	38,237	0	51,550	0	0	19,982	31,885
85 and Over	35,796	0	5,812	0	24,854	19,016	24,923
All Ages	$68,035	$27,873	$53,491	$0	$43,496	$29,049	$57,110

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	112	1	55	0	0	24	192
5-9	65	0	61	0	0	29	155
10-14	69	1	53	0	0	11	134
15-19	35	2	35	0	3	6	81
20-24	33	0	35	0	4	2	74
25-29	25	1	12	0	1	5	44
30 and Over	11	1	10	0	1	15	38
All Years	350	6	261	0	9	92	718

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	$88,091	$9,625	$62,559	$0	$0	$35,351	$73,776
5-9	73,522	0	67,627	0	0	29,975	63,055
10-14	63,935	69,355	54,006	0	0	29,461	57,218
15-19	49,241	23,527	39,898	0	44,446	24,645	42,570
20-24	49,425	0	43,907	0	50,756	30,107	46,365
25-29	40,497	23,938	32,131	0	25,433	24,545	35,684
30 and Over	35,349	17,267	21,418	0	29,673	19,995	24,997
All Years	$68,035	$27,873	$53,491	$0	$43,496	$29,049	$57,110

* 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 - ACTUARIAL METHODS AND ASSUMPTIONS
- APPENDIX B - PLAN PROVISIONS
- APPENDIX C - GASB STATEMENT NO. 27
- APPENDIX D - RISK ANALYSIS
- APPENDIX E - GLOSSARY OF ACTUARIAL TERMS

APPENDIX A

ACTUARIAL METHODS AND ASSUMPTIONS

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

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:

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.

In June 2009, the CalPERS Board adopted changes to the asset smoothing method in order to phase in over a three year period 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

Actuarial Assumptions

Economic Assumptions

Discount Rate

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

Termination Liability Discount Rate

The discount rate is set by taking into account the yields available in the US Treasury market on the valuation date according to treasury rates along the yield curve that match the cash flows of the plans' expected benefit payout stream in future years. For purposes of this report, the termination liability discount rate used, 4.82%, is the 30-year US Treasury Stripped Coupon Rate as of the valuation date. Please note, as of June 30, 2012 the 30-year US Treasury Stripped Coupon Rate was 2.87%.

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

Public Agency Fire

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

Salary Growth (continued)

Public Agency Police

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

Public Agency County Peace Officers

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

Schools

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

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

Overall Payroll Growth

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

Inflation

2.75% compounded annually. This assumption is used for all plans.

Non-valued Potential Additional Liabilities

The potential liability loss for a cost-of-living increase exceeding the 2.75% 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

Benefit are 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.

Termination Liability

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

Demographic Assumptions

Pre-Retirement Mortality

Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial death rates are used for Safety Plans (except for Local Prosecutor safety members where the corresponding Miscellaneous Plan does not have the Industrial Death Benefit).

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

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

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date. The mortality assumption will be reviewed with the next experience study expected to be completed for the June 30, 2013 valuation to determine an appropriate margin to be used.

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

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

Termination with Refund

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

Public Agency Miscellaneous

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

Public Agency Safety

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

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

Schools

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

Termination with Vested Benefits

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

Public Agency Miscellaneous

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

Public Agency Safety

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

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

Schools

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

Non-Industrial (Not Job-Related) Disability

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

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

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

Industrial (Job-Related) Disability

Rates vary by age and category.

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

- The Police Industrial Disability rates are 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

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

Service Retirement

Public Agency Miscellaneous 1.5% @ 65

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

Public Agency Miscellaneous 2% @ 60

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

Service Retirement

Public Agency Miscellaneous 2% @ 55

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

Public Agency Miscellaneous 2.5% @ 55

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

Service Retirement

Public Agency Miscellaneous 2.7% @ 55

Age	Duration of Service: 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

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

Service Retirement

Public Agency 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	0.014	0.014	0.014	0.014	0.025	0.045
51	0.012	0.012	0.012	0.012	0.023	0.040
52	0.026	0.026	0.026	0.026	0.048	0.086
53	0.052	0.052	0.052	0.052	0.096	0.171
54	0.070	0.070	0.070	0.070	0.128	0.227
55	0.090	0.090	0.090	0.090	0.165	0.293
56	0.064	0.064	0.064	0.064	0.117	0.208
57	0.071	0.071	0.071	0.071	0.130	0.232
58	0.063	0.063	0.063	0.063	0.115	0.205
59	0.140	0.140	0.140	0.140	0.174	0.254
60	0.140	0.140	0.140	0.140	0.172	0.251
61	0.140	0.140	0.140	0.140	0.172	0.251
62	0.140	0.140	0.140	0.140	0.172	0.251
63	0.140	0.140	0.140	0.140	0.172	0.251
64	0.140	0.140	0.140	0.140	0.172	0.251
65	1.000	1.000	1.000	1.000	1.000	1.000

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

Service Retirement

Public Agency Fire 2%@50

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

Public Agency Police 3%@ 55

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

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

Service Retirement

Public Agency Fire 3%@55

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

Public Agency Police 3%@ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.070	0.070	0.070	0.131	0.193	0.249
51	0.050	0.050	0.050	0.095	0.139	0.180
52	0.061	0.061	0.061	0.116	0.171	0.220
53	0.069	0.069	0.069	0.130	0.192	0.247
54	0.071	0.071	0.071	0.134	0.197	0.255
55	0.090	0.090	0.090	0.170	0.250	0.322
56	0.069	0.069	0.069	0.130	0.191	0.247
57	0.080	0.080	0.080	0.152	0.223	0.288
58	0.087	0.087	0.087	0.164	0.242	0.312
59	0.090	0.090	0.090	0.170	0.251	0.323
60	0.135	0.135	0.135	0.255	0.377	0.485
61	0.090	0.090	0.090	0.170	0.251	0.323
62	0.113	0.113	0.113	0.213	0.314	0.404
63	0.090	0.090	0.090	0.170	0.251	0.323
64	0.090	0.090	0.090	0.170	0.251	0.323
65	1.000	1.000	1.000	1.000	1.000	1.000

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

Service Retirement

Public Agency Fire 3%@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

Schools 2%@ 55

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

Miscellaneous

Superfunded Status

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 taken into account in this valuation. Each year the impact of any changes in this limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base.

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. Each year the impact of any changes in this compensation limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base.

APPENDIX B

PLAN PROVISIONS

- SUMMARY OF PLAN'S MAJOR BENEFIT OPTIONS
- DESCRIPTIONS OF CALPERS' PRINCIPAL PLAN PROVISIONS

Summary of Plan's Major Benefit Options

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

	Coverage Group	
Benefit Provision	74001	75001
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%

Description of CalPERS' 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%	2.418%	2.418%	2.5%	2.7%	3.0%
64	1.4334%	2.418%	2.418%	2.5%	2.7%	3.0%
65 & Up	1.5000%	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 greater. 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. Final compensation must be defined by the highest 36 consecutive months' pay under the 1.5% at 65 formula.

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

- The Miscellaneous Service Retirement benefit is not capped. The Safety Service Retirement benefit is capped at 90% 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 (55 for employees hired into a 1.5% @ 65 plan).

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 7.5% 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

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 (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%

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 based on any optional benefit for which a contract amendment was made on or after January 1, 1979.

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. More information on this benefit is available on 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, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. The unadjusted GASB compliant contribution rate for the indicated period is 34.605% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, this contribution rate, less any employee cost sharing, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2013 to June 30, 2014. The employer and the employer's auditor are responsible for determining the NPO and the APC.

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

	Retirement Program
Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year 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 (AVA) (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
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%
06/30/11	802,778,310	685,732,778	117,045,532	85.4%	74.5%	50,960,671	229.7%

APPENDIX D

RISK ANALYSIS

- **VOLATILITY RATIOS**
- **ANALYSIS OF FUTURE INVESTMENT RETURN SCENARIOS**
- **ANALYSIS OF DISCOUNT RATE SENSITIVITY**

Volatility Ratios

The actuarial calculations supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year to year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise the employer's rates from one year to the next. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

Plans that have higher asset to payroll ratios produce more volatile employer rates due to investment return. For example, a plan with an asset to payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an asset to payroll ratio of 4. Below we have shown your asset volatility ratio, a measure of the plan's current rate volatility. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio

Plans that have higher liability to payroll ratios produce more volatile employer rates due to investment return and changes in liability. For example, a plan with a liability to payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability to payroll ratio of 4. The liability volatility ratio is also included in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility and the asset volatility ratio, described above, will tend to move closer to this ratio as the plan matures.

Rate Volatility		As of June 30, 2011
1. Market Value of Assets without Receivables	$	597,690,684
2. Payroll		50,960,671
3. Asset Volatility Ratio (1. / 2.)		11.7
4. Accrued Liability	$	802,778,310
5. Liability Volatility Ratio (4. / 2.)		15.8

Analysis of Future Investment Return Scenarios

The investment return for fiscal year 2011-2012 was estimated to be 0%. 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. For purposes of projecting future employer rates, we are assuming a 0% investment return for fiscal year 2011-2012.

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 2011-2012 will first be reflected in the June 30, 2012 actuarial valuation that will be used to set the 2014-2015 employer contribution rates, the 2012-2013 investment return will first be reflected in the June 30, 2013 actuarial valuation that will be used to set the 2015-2016 employer contribution rates and so forth.

Based on a 0% investment return for fiscal year 2011-2012 and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2014-2015, the effect on the 2014-2015 Employer Rate is as follows:

Estimated 2014-2015 Employer Rate	Estimated Increase in Employer Rate between 2013-2014 and 2014-2015
38.9%	4.3%

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2012-2013, 2013-2014 and 2014-2015 on the 2015-2016, 2016-2017 and 2017-2018 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, 2012 through June 30, 2015. The 5th percentile return corresponds to a -4.1% return for each of the 2012-2013, 2013-2014 and 2014-2015 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2012 through June 30, 2015. The 25th percentile return corresponds to a 2.6% return for each of the 2012-2013, 2013-2014 and 2014-2015 fiscal years.
- The third scenario assumed the return for 2012-2013, 2013-2014, 2014-2015 would be our assumed 7.5% 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, 2012 through June 30, 2015. The 75th percentile return corresponds to a 11.9% return for each of the 2012-2013, 2013-2014 and 2014-2015 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, 2012 through June 30, 2015. The 95th percentile return corresponds to a 18.5% return for each of the 2012-2013, 2013-2014 and 2014-2015 fiscal years.

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

2012-2015 Investment Return Scenario	Estimated Employer Rate			Estimated Change in Employer Rate between 2014-2015 and 2017-2018
	2015-2016	2016-2017	2017-2018	
-4.1% (5th percentile)	48.6%	57.1%	64.6%	25.7%
2.6% (25th percentile)	43.2%	47.3%	51.1%	12.2%
7.5%	39.8%	40.6%	41.4%	2.5%
11.9%(75th percentile)	39.6%	40.1%	40.3%	1.4%
18.5%(95th percentile)	39.3%	39.1%	38.4%	-0.5%

Analysis of Discount Rate Sensitivity

The following analysis looks at the 2013-2014 employer contribution rates under two different discount rate scenarios. Shown below are the employer contribution rates assuming discount rates that are 1% lower and 1% higher than the current valuation discount rate. This analysis gives an indication of the potential required employer contribution rates if the PERF were to realize investment returns of 6.50% or 8.50% over the long-term.

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

	2013-2014 Employer Contribution Rate		
As of June 30, 2011	**6.50% Discount Rate (-1%)**	**7.50% Discount Rate (assumed rate)**	**8.50% Discount Rate (+1%)**
Employer Normal Cost	29.163%	21.098%	15.003%
Unfunded Rate Payment	30.173%	13.507%	1.586%
Total	59.336%	34.605%	16.589%

APPENDIX E

GLOSSARY OF ACTUARIAL TERMS

Glossary of Actuarial Terms

Accrued Liability *(also called Actuarial Accrued Liability or Entry Age Normal Accrued Liability)*
The total dollars needed as of the valuation date to fund all benefits earned in the past for *current* members.

Actuarial Assumptions
Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include discount rate, salary growth and inflation.

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

Actuarial Valuation
The determination, as of a valuation date, of the Normal Cost, Accrued liability, Actuarial Value of Assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Actuarial Value of Assets
The Actuarial Value of Assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years.

This method helps to dampen large fluctuations in the employer contribution rate.

Amortization Bases
Separate payment schedules for different portions of the Unfunded Liability. The total Unfunded Liability of a Risk Pool or non-pooled plan can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. 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.) but all bases are amortized using investment and payroll assumptions from the current valuation.

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.

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

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

(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member 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.)

Entry Age Normal Cost Method

An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll.
(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member on the date of hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Fresh Start

A Fresh Start is 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 or risk pool is. Or equivalently, how "on track" a plan or risk pool is with respect to assets vs. accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets. A funded ratio based on the Actuarial Value of Assets indicates the progress toward fully funding the plan using the actuarial cost methods and assumptions. A funded ratio based on the Market Value of Assets indicates the short-term solvency of the plan.

GASB 27

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

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 (PVB)

The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for *current* members.

Rolling Amortization Period

An amortization period that remains the same each year, rather than declining.

Superfunded

A condition existing when a plan's Actuarial Value of Assets exceeds its Present Value of Benefits. 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

When a plan or pool's Actuarial Value of Assets is less than its Accrued Liability, the difference is the plan or pool's Unfunded Liability of the Unfunded Liability is positive, the plan or pool will have to pay contributions exceeding the Normal Cost.

EXHIBIT L

CITY OF STOCKTON

OFFICE OF THE CITY MANAGER
City Hall • 425 N. El Dorado Street • Stockton, CA 95202-1997 • 209 / 937-8212 • Fax 209 / 937-7149
www.stocktongov.com

June 7, 2012

Ms. Ann Stausboll
Chief Executive Officer
California Public Employees' Retirement System (CalPERS)
400 Q Street
Sacramento, California 95811

REVISION TO THE CITY OF STOCKTON'S 5% COLA ALLOWANCE FOR MISCELLANEOUS EMPLOYEES

Dear Ms. Stausboll:

As you are aware, the City of Stockton is facing an unprecedented fiscal crisis and is working to reduce its current and future obligations in order to maintain vital City services, through the AB 506 mediation process. In FY 2012-13, the City is facing an operating shortfall in the General Fund Proposed Budget of $25.9 million, and the deficit is projected to grow to $40 million per year within three years in the absence of reducing the City's obligations.

We understand that CalPERS is committed to both protect the interests of its members to the pensions they have earned and to assist employers with meeting pension obligations. I am writing to you to request assistance.

As a component of the City's cost reduction goals, we have identified the annual 5% cost-of-living adjustment (COLA) for Miscellaneous Employees as a potential area to reduce on-going expenses. This is an optional benefit provided under Section 21335. CalPERS currently estimates long term cumulative inflation at 3%, and therefore the 5% COLA is not expected to cost more than the 3% COLA. However, if actual cumulative inflation is higher than 3% there will be additional (unknown) costs associated with the 5% plan. This cost uncertainty, as well as the fact that a 5% or even 3% COLA provision is higher than the surrounding labor market for public sector workers, is a concern for Stockton in our budget forecasting model.

As mentioned above, our research indicates that Stockton is one of very few agencies that have contracted for this optional benefit. (Overall retirees currently subject to a 3%, 4% or 5% COLA represent less than 5% of all CalPERS retirees.) Given the fiscal pressures on the City, we like to initiate conversations with CalPERS to understand the potential savings to the City as well as the process that will need to be completed in order to limit the annual COLA for Miscellaneous Employees to a maximum of 2 percent. We understand that it is relatively unusual, if not unprecedented, for CalPERS to consider discontinuance of a benefit currently granted. However the fiscal situation the City faces coupled with the fact that this provision is so rare and the uncertainty with respect to future costs compels us to reach out to you on this matter.

Please feel free to contact me via email at Laurie.Montes@stocktongov.com or via telephone at (209) 937-8212, or Teresia Haase, Human Resources Director, via email at Teresia.Haase@stocktongov.com or via telephone at (209) 937-8233 with any questions or to schedule a meeting to discuss the issue.

Laurie Montes

LAURIE MONTES
DEPUTY CITY MANAGER

cc: Bob Deis, City Manager
Teresia Haase, Human Resources Director

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EXHIBIT M

CalPERS Follow-up Notes form 8/8/12 Meeting with Ann and Teresia as well as SDT Meeting

- Our objective is to make the business case for remaining current and in good standing with CalPERS. To be used as evidence in eligibility case

Information to gather in order to craft our argument:

1. Get the number of cities and counties contracting with PERS or a similar system (such as 1937 Act counties, or their own system). Compare this to the total number of jurisdictions in the State. Get the total number of public employees who work for cities and counties and the percentage which are covered by such a system. DONE

2. Interview Eric (CoP in Stockton) on the importance of CalPERS in the recruitment and retention of police officers. Focus in on the competitive nature of recruitment and retention in the police business. How many applicants actually make it to hiring and training as a officer? Right now public safety is primary concern in Stockton and being able to recruit and retain officers is key to that issue. May be single best reason to stay current with CalPERS. DONE but need to collaborate with Ann and Teresia and Eric on bullet points.

3. Obtain information on the history of public pension systems and the reciprocity which has developed. Assumption is that there is a "public good" associated with such systems and the reciprocity under a uniform umbrella helps recruit and retain sound employees and delivers value to taxpayers. NOT DONE

4. Obtain information as to whether any local agency (city or county as priority) which has actually left PERS coverage. Also any analysis which seriously contemplated such a move. Our assumption is that very few if any jurisdictions have left the system. Additionally that CalPERS makes it difficult and expensive to do so. Get information on what it would cost to replicate a separate retirement system…from anyone that has done so. DONE

5. Obtain information from San Diego and San Jose on employee turnover which may be linked to recent decisions to alter retirement system away from traditional. PARTIALLY DONE

6. Obtain information on any other requirements or statutes which may be linked to CalPERS or similar plan type in State law. Example may be disability retirement. Are there others? Implication is that leaving CalPERS (or equivalent) may put jurisdiction at risk for violation of other laws. NOT DONE

Management Partners is working on obtaining information with respect to item 1, 4 and 5. We should discuss how to pursue other information. In addition we should all probably pursue contacts if any with respect to 4 and 5.

Outline of analysis developed so far in bullet points:

Analysis of Industry Utilization of CalPERS or Functional Equivalents

1. **City governments that provide municipal services to the vast majority of California residents contract with CalPERS or the equivalent.** Most California residents live within incorporated cities (%). These cities are responsible for delivery of municipal and public safety services (police, fire, sanitation, public works etc.). The vast majority of city employees in California are covered by a CalPERS plan or the equivalent:
   a. 449 of the 482 cities in California (93%) have a contract with CalPERS
   b. Of the 32 (verify) cities that do not, the data indicates that cities of any significant size (greater than 7,000 population) either have their own defined benefit system similar to CalPERS (e.g. Los Angeles, San Diego, San Jose and Fresno) or contract with another jurisdiction participating in a defined benefit program (e.g. Chino Hills, San Rafael, Ceres and San Juan Capistrano).
   c. Individual plans occur only in the largest of cities, which indicates that there are substantial economies of scale benefits to contracting with CalPERS. There is no city of Stockton's population size operating an independent system, and some larger cities (e.g. Sacramento) have migrated to a CalPERS contract and away from an independent system.
   d. The vast majority of the other cities in California that do not contract with CalPERS are very small (under 7,000 population) and not remotely representative of a city such as Stockton
   e. Two cities with a population over 7,000 were located that do not have a defined benefit pension plan; the Town of Danville (population 42,450) and the recently incorporated City of Jurupa Valley (population 96,456). Danville has a defined contribution plan for City employees with employer contribution rates of from 15% to 35%. It contracts for police and fire services. Jurupa Valley is so recently incorporated (2011) that all services are contracted.
   f. The analysis shows that CalPERS or a similar defined contribution plan is almost universal in California. Of cities with more than 7,000 population, 99.6 percent of the jurisdictions use CalPERS or a functionally similar plan.
   g. Even including the cities of less than 7,000 population where a dispositive analysis has not been accomplished at least 96.3% of the city jurisdictions in the State use CalPERS or a functionally similar plan.
   h. Analysis indicates there is no city in California of the size and scope of Stockton which is currently operating without a CalPERS defined benefit plan or a functionally similar plan.

2. **Counties are universally covered by CalPERS, the 1937 Act or the equivalent.** California residents which do not live within an incorporated city receive municipal services from a county government. Research shows that the vast majority of county governments also have a defined benefit program.

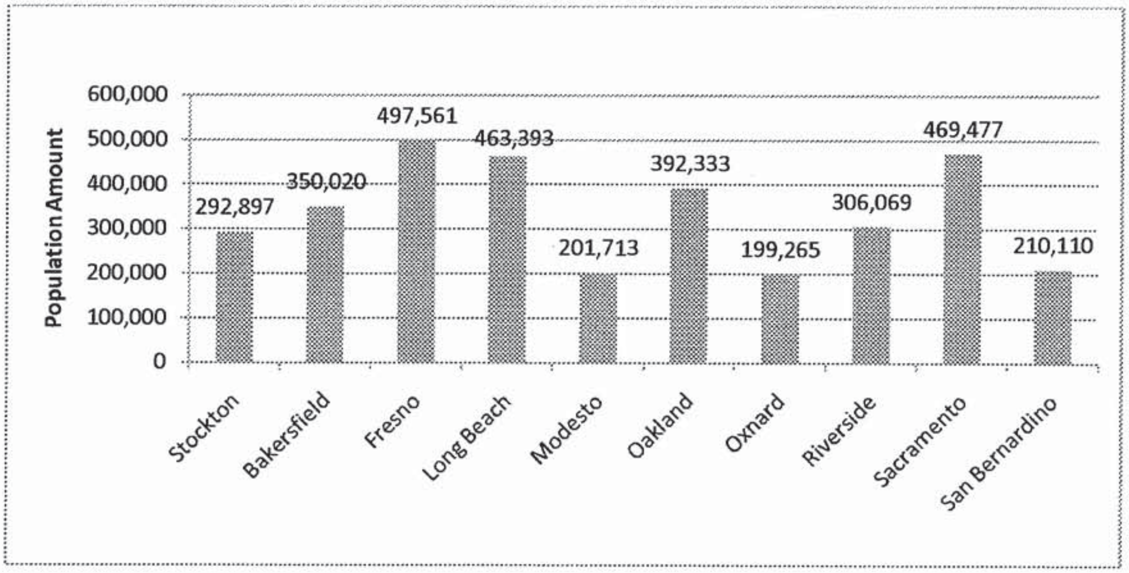
a. In California counties have the option of contracting with CalPERS, establishing a defined benefit program functionally similar to CalPERS under the 1937 County Employees Retirement Act (37 Act) or establishing an independent system.
b. 57 of the 58 counties in California have either contracted with CalPERS (37) or established a 37 Act program (20). One County (San Luis Obispo) has adopted an independent plan. This plan is modeled after the CalPERS defined benefit plan.
c. 100% of California counties either contract with CalPERS or have a functionally equivalent plan

3. **Exiting cities have not chosen to opt out of CalPERS, and new cities have chosen to join it.** Because of legal and other restrictions, it is difficult and relatively expensive for any city or county to cease contracting with CalPERS. In addition simple analysis shows that CalPERS must offer compelling economies of scale savings in terms of operational costs, given the fact that only the very largest cities in the State have elected to establish independent plans. For these reasons:
   a. We have not been able to locate any local government jurisdiction which has ceased contracting with CalPERS in recent history. This suggests that the barriers to exiting are significant and / or that the economies of scale for participation are compelling.
   b. Newly incorporated cities do have a choice about retirement systems and here the evidence suggests that for business and competitive reasons newly incorporated cities have chosen to contract with CalPERS.
   c. Since 1990 there have been 26 new cities incorporated in California. 24 of these cities have contracted with CalPERS. One (Chino Hills) has contracted with a county for 37 Act coverage. One City (Jurupa Valley) is still so new it is operating under county and contracted services. The next newest city (Eastvale) incorporated in 2010 and contracted with CalPERS in 2012.

4. **There is no business precedent for a City of Stockton's relative size and complexity to provide a pension other than CalPERS or its functional equivalent.** Analysis of city and county pension plans in California indicates that participation in a defined benefit plan similar to that provided by Stockton under its CalPERS contract is virtually universal in the State of California
   a. Of the 540 general purpose governments (cities and counties) which provide municipal services such as police protection virtually 100% (a minimum of 97%) are using a CalPERS plan or the equivalent.
   b. Virtually the entire population of the State which receives municipal services (at least XX%) is served by a local government that participates in CalPERS or its equivalent.
   c. Because very small jurisdictions as well as the jurisdictions of Danville and Jurupa Valley contract for public safety services via a county or special district, it is clear that every public safety agency of any significant size is covered by a CalPERS or equivalent pension formula
   d. No business precedent whatsoever exists for a City of Stockton's relative size and complexity to not offer a CalPERS defined benefit or equivalent. Stockton is not big enough to support an independent pension plan and must contract with CalPERS or another similar provider in order to provide the benefits which are virtually universal with respect to the employees it needs to hire and retain.

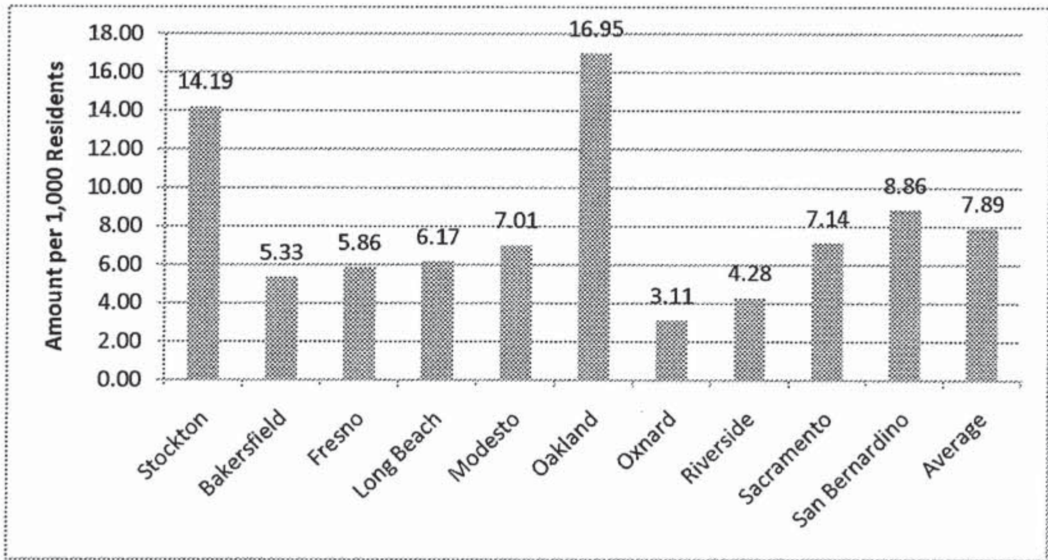
Special Public Safety Considerations in Stockton

1. **Existing service delivery environment.** Management Partners identified all cities in California of between 200,000 and 500,000 in population and gathered further data on all cities in this population class that. From a demographic standpoint Stockton exhibits a median income which is lower than the State average, while it has a crime rate and level of foreclosures that are higher than average. From all cities in the population class we selected those which met 2 out of 3 of these demographic criteria. The peer cities and populations are shown in the chart below.



2. **Stockton has a violent crime rate that is among the highest in the State and much above average for the comparison cities, all of which are noted for a relatively below average median income and most of which have above average foreclosure activity and crime. The violent crime comparison is shown below:**

Violent Crime per 1,000 Residents

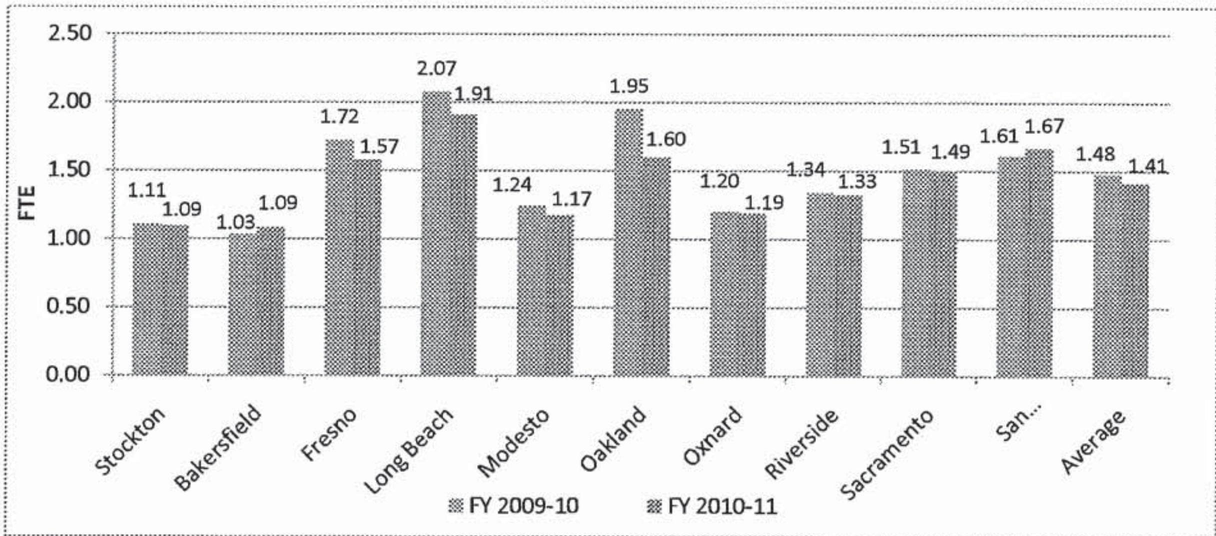


Source: FBI Uniform Crime Reports 2011

Stockton has the second from highest rate of violent crime per 1,000 residents, much higher than the average for the peer jurisdictions.

3. **Stockton has fewer sworn police officers per capita than cities with much lower violent crime.** The number of sworn police officers per 1000 residents is shown in the chart below for the Fiscal Years 2010 and 2011.

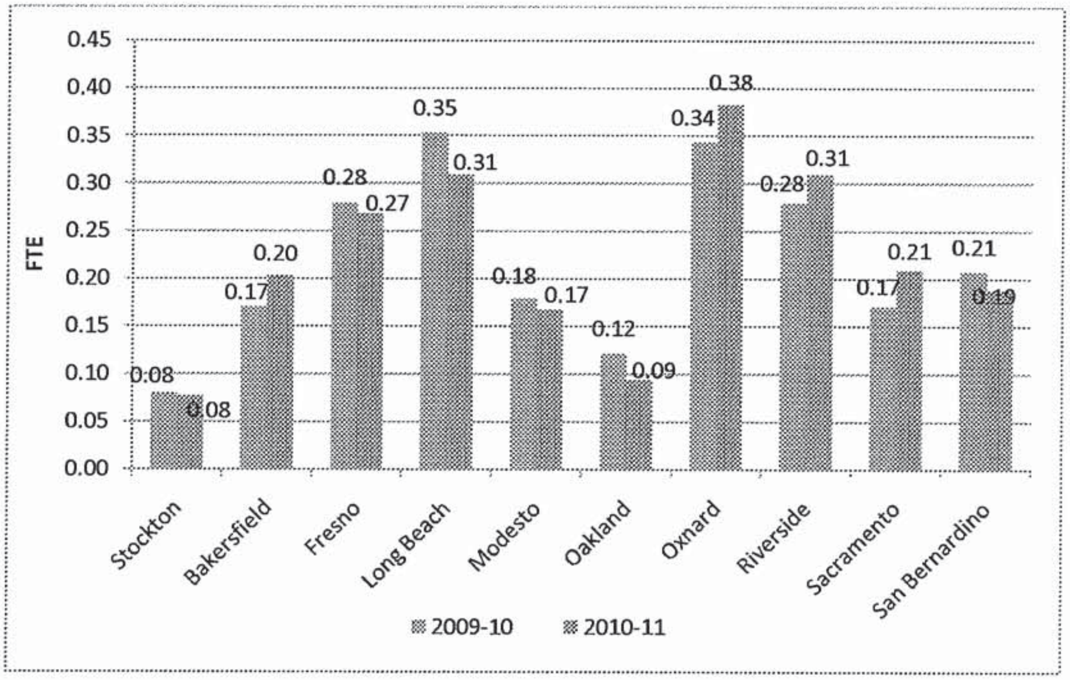
Sworn Police per 1,000 Residents (FTE) for FY 2009/10 – 2010/11



The amount of Sworn Police per 1,000 residents in Stockton was the second lowest in Fiscal Year 2009-10 and tied for the lowest in 2010-11 in comparison to its peers. The low staffing portrays the shortage of resources needed for a higher service demand.

4. **The combination of high violent crime and low sworn officer staffing makes Stockton an extremely challenging policing environment. Of the peer jurisdictions Stockton has the very lowest level of sworn police officers per violent crime. As a result, and given compensation and benefit reductions, retention and recruitment is also a challenge.**

Sworn Police per Violent Crime (FTE) for FY 2009/10 – 2010/11



Stockton has the lowest amount of Sworn Police available per violent crime.

- **a.** Crime and violent crime per sworn position
- **b.** Officer assaults (need data)

5. Current mix of officers with respect to experience relative to industry standards (have data need analysis)

6. No business case precedent of use of non-defined benefit pension program for sworn police and fire personnel in California (need fire district data and analysis)

Incidence of Defined Benefit Plan Coverage (CalPERS or equivalent in Stockton labor market)

1. Benefits provided to market comparison cities
2. Benefits provided within government employers within 100 mile of Stockton.

EXHIBIT N

NEW BUSINESS

AGENDA ITEM 15.04

December 11, 2012

TO: Mayor and City Council

FROM: Teresia Haase, Director of Human Resources

SUBJECT: **MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF STOCKTON AND THE STOCKTON POLICE OFFICERS' ASSOCIATION**

RECOMMENDATION

It is recommended that the City Council adopt by motion the attached Memorandum of Understanding, effective July 1, 2012, through June 30, 2014, regarding salary, benefits and other terms and conditions of employment for the members of the Stockton Police Officers' Association (SPOA). This Memorandum of Understanding (MOU) shall supersede all previous Memoranda of Understanding, as well as those portions of the Pendency Plan adopted on June 26, 2012 that impact the treatment of SPOA. City Council shall authorize the City Manager to execute this MOU between the City of Stockton and SPOA. It is further recommended that this action authorize the City Manager to take whatever actions are appropriate to carry out the implementation of this MOU. This MOU also resolves various legal actions between the parties, as well as the treatment in the City's chapter 9 case of the claims against the City held by SPOA and its members.

Summary

Representatives of the City have met and conferred with representatives of the Stockton Police Officers' Association on a new Memorandum of Understanding that is to be effective from July 1, 2012, and has a term of two years, expiring June 30, 2014. This MOU includes proposed reductions in compensation and benefits due to the City of Stockton's fiscal shortfalls that resulted in the chapter 9 bankruptcy filing. This MOU supersedes the previously adopted Memorandum of Understanding and the Pendency Plan adopted by the Council on June 26, 2012. It also supersedes all previous side letters and resolutions not included in this MOU.

DISCUSSION

Background

The City has had substantial fiscal shortfalls over the past several years. In 2010, unable to reach an agreement with the SPOA on concessions, the City declared a fiscal emergency and temporarily imposed changes in compensation and staffing. In 2011, the SPOA was imposed with additional compensation changes due to the continued fiscal emergency. The City and representatives of this unit participated in the AB 506 mediation process.

On June 26, 2012, after taking public testimony, the City Council adopted a final budget for Fiscal Year 2012/2013, which budget is referred to as the City's Pendency Plan. It also adopted as part of its Pendency Plan changes in compensation and conditions of employment for the SPOA in order to adjust expenditures to available revenues. The City filed for chapter 9 bankruptcy protection on June 28, 2012. After the City's bankruptcy filing, the parties participated in mediation ordered by the United States Bankruptcy Judge handling the City's Chapter 9 case.

Present Situation

The City and representatives of the SPOA have met and conferred, and have reached tentative agreement on a new Memorandum of Understanding with a term of July 1, 2012 through June 30, 2014. The City has been notified that members of the SPOA have voted to ratify the tentative agreement. This MOU is presented to Council for your consideration and adoption. If adopted, this MOU and its provisions will supersede any previous Memorandum of Understanding and will also supersede those aspects of the Pendency Plan that impact this unit. This MOU also resolves various litigation matters between the City and SPOA in order to enable the parties to move forward in a more harmonious manner in their relationship. The parties also have resolved the treatment of bankruptcy claims asserted by SPOA on its own behalf and on behalf of its members in the approximate amount of $13 Million.

The major changes in this new Memorandum of Understanding are summarized as follows:

1. Permanent implementation of compensation changes made as part of the fiscal emergencies in 2010 and 2011;
2. Implementation of a 62 hour employee furlough for FY2012/2013 and FY2013/2014;
3. Implementation of the new AB340 CalPERS pension formula of 2.7% @ 57 and employee contribution rates for employees hired on or after January 1, 2013; including implementation of lower optional benefits not covered by AB340 have also been agreed to;
4. Partial reductions to add pay compensation for Motorcycle Officer and SWAT;
5. Elimination of Equestrian Officer and Master Officer Program add pays;
6. Continuation of Longevity Pay at a reduced rate and grandfathering of longevity pay for certain eligible employees;
7. Reductions and changes in vacation leave accruals, carryover maximum allowances, and vacation sellback/cashout option;
8. Change from a lump sum payout to graduating the payout of unused vacation upon separation over a two year period;

December 11, 2012

MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF STOCKTON AND THE STOCKTON POLICE OFFICERS' ASSOCIATION
(Page 3 of 4)

9. Changes in sick leave accruals and elimination of cash value of unused sick leave;
10. Elimination or reduction to the payout of unused sick leave upon separation;
11. Allows management flexibility to require doctor certification for sick leave occurrences;
12. Holiday leave benefit changes such as elimination of employee's birthday, and limits the value of holidays to 8 hours for all employee work schedules;
13. Reduction of benefit value of City paid Life insurance to $50,000;
14. Base pay reduction and monthly stipend issuance each month for the purpose of the association purchasing their own preferred Long Term Disability Insurance;
15. Various changes to standby pay, call back pay and overtime paid to employees, including changing the calculation of overtime eligibility to Federal Fair Labor Standards Act (FLSA) minimum standards;
16. Elimination of dual coverage in City medical plans for employees and retirees, and other medical plan changes in retiree plans;
17. Reduction and then elimination of City paid retiree medical benefits for existing employees over the FY 2012/2013;
18. Choice of health plans to members, including Kaiser HMO as soon as administratively possible;
19. Elimination of Retiree Medical Trust Plan and City contribution which applies to some employees in this unit;
20. Layoff and Reemployment Procedure updates;
21. Changes to City procedures for managing workers compensation claims in accordance with state regulations; and
22. Special leave time bank allowance of 22 hours in FY 2012/13 and 22 hours over the period FY 2013/14 through 2014/15 (44 hours total) for consideration of SPOA releasing City of all claims, including but not limited to bankruptcy claims in the amount of approximately $13 Million.

FINANCIAL SUMMARY

Since the 2010 and subsequent Declarations of Fiscal Emergency, savings resulting from the temporarily imposed compensation and benefit changes have totaled approximately $10.4 Million, of which approximately $8.8 Million was General Fund savings. The Pendency Plan continued these savings through Fiscal Year 12-13 and imposed compensation reductions in pay and other miscellaneous benefits that resulted in additional savings and avoidance of future costs. The proposed MOU makes permanent the majority of reductions imposed by the Pendency Plan.

To reach mutual agreement between the parties some elements of the Pendency Plan have been modified by this MOU. Longevity pay grandfathering for existing employees was included in the Pendency Plan. These grandfathered benefits were to be eliminated as of June 30, 2013. The proposed MOU extends this grandfathering through June 30, 2014. There is no fiscal impact to the fiscal year 12-13 budget. It is estimated that this will cost $710,000 in fiscal year 13-14 and will be incorporated into that budget.

The partial restoration of additional compensation stipends for Motorcycle and SWAT are part of the negotiations that resulted in a ratified agreement, and are included in the negotiated agreement before your Council. These adjustments will result in a reduction in the cost savings implemented under the Pendency Plan of $45,000. This amount will be funded through vacancy savings in the Police Department budget. This amount will be incorporated into the fiscal year 13-14 as well.

Respectfully submitted,

Teresia Haase

TERESIA HAASE
DIRECTOR OF HUMAN RESOURCES

APPROVED:

Laurie Montes

LAURIE MONTES
DEPUTY CITY MANAGER

Attachment A – SPOA MOU-Effective July 1, 2012
Attachment B – SPOA MOU-Redlined Version

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Attachment A

MEMORANDUM OF UNDERSTANDING BETWEEN THE STOCKTON POLICE OFFICERS ASSOCIATION AND CITY OF STOCKTON

TERM: July 1, 2012 – June 30, 2014

CITY ATTY REVIEW

DATE DEC 0 5 2012

STOCKTON POLICE OFFICERS ASSOCIATION (SPOA) SUCCESSOR MOU

Term: July 1, 2012 – June 30, 2014

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STOCKTON POLICE OFFICERS ASSOCIATION (SPOA) SUCCESSOR MOU
Term: July 1, 2012 – June 30, 2014

This agreement (the "Agreement" or "MOU") is made and entered into as of November __, 2012 by and among the City of Stockton, California (the "City" or "Stockton) and the Stockton Police Officers Association ("SPOA"), sometimes collectively referred to as the "Parties."

INTRODUCTION

A. The Parties have been in negotiation over the terms of a successor to the parties' prior MOU that expired June 30, 2012 as well as the treatment of the claims of members of the SPOA in bankruptcy that arose as a result of the City's imposition of compensation reductions during the term of the prior MOU.

B. Beginning on March 27, 2012, the City commenced the "AB 506 process" in order to avoid and, if necessary, to qualify for, a chapter 9 bankruptcy filing. The initial phase of the AB 506 process lasted 60 days, as mandated by statute. Cal. Gov't Code § 53760.3(r). Upon the agreement of the majority of the City's creditors who participated, the AB 506 mediation process was extended by an additional 30 days. Cal. Gov't Code § 53760.3(r). Despite good faith efforts by the City and the interested parties, when the AB 506 process concluded on June 25, 2012, the City had not "resolved all pending disputes with creditors." Cal. Gov't Code § 53760.3.

C. During the AB 506 process, the City presented to all the interested parties a 790-page "ask" ("Ask"), which contained specific proposals relating to each participant as well as to other creditors that chose not to participate. The Ask was similar to a plan of adjustment in that it disclosed to all creditors how the City viewed the claims of each and the likely resolution of such claims in a proposed bankruptcy plan of adjustment. Although no settlement was reached, the AB 506 process used the Ask as a baseline for negotiations, and the Ask functioned in part as a de facto draft plan of adjustment that described to all major creditors the treatment of the individual claims.

D. On June 26, 2012, the City Council adopted a "Pendency Plan" budget ("Pendency Plan"), which was based upon the detailed provisions of the Ask.

E. The City filed a chapter 9 bankruptcy petition on June 28, 2012. By order dated July 11, 2012, the Bankruptcy Court appointed the Honorable Judge Elizabeth Perris ("Judge Perris") to serve as judicial mediator in the chapter 9 case. The Parties conducted four days of mediation with Judge Perris, ending on November 2, 2012. The Parties used the Pendency Plan as a starting point for negotiations to create a new 2012-2014 Memorandum of Understanding. During this successful mediation process, the Parties continued earlier extensive efforts at settling disputes between them, both in the AB 506 process, and in extensive parallel negotiations relating to the SPOA's collective bargaining agreement(s) with the City, and reached a settlement covering all disputes.

STOCKTON POLICE OFFICERS ASSOCIATION (SPOA) SUCCESSOR MOU
Term: July 1, 2012 – June 30, 2014

SECTION 1. RECOGNITION

1.1 City Recognition

The City Manager or any person or organization duly authorized by the City Manager, is the representative of the City of Stockton, hereinafter referred to as the "City" in employer-employee relations as provided in Resolution No. 32,538, adopted by the City Council on August 4, 1975.

1.2 Association Recognition

The Stockton Police Officers' Association, hereinafter referred to as the "Association" is the recognized employee organization for the Police Officers' Unit, certified pursuant to Resolution No. 32,548, adopted by the City Council on August 11, 1975.

SECTION 2. ASSOCIATION SECURITY

2.1 Dues Deduction

(a) General. The Association may have the regular dues of its members within the representation unit deducted from employees' paychecks under procedures prescribed by the City for such deductions. The Association has the exclusive privilege of dues deduction for its members.

Payroll deductions shall be for a specified amount and consistent for all employee members of the Association, and shall not include fines, fees and/or assessments.

Authorization, cancellation or modification of payroll deduction shall be made upon forms provided or approved by the City. The payroll deduction authorization shall remain in effect until canceled or modified by the employee by written notice to the City or until the first day of the calendar month following the transfer of the employee to a unit represented by another employee organization as the representative of the unit to which the employee is assigned, or until employment with the City is terminated.

Amounts deducted and withheld by the City shall be transmitted to the officer designated in writing by the Association as the person authorized to receive such funds, at the address specified.

In addition to the deduction of dues, the City will deduct from the paychecks of Association members who request it, deductions authorized and sponsored by the Association. Such deductions shall be made from either or both of the semi-monthly paychecks and only upon signed authorization from the employee upon a form satisfactory to the City. Such authorizations may be made or changed no more frequently than twice yearly. Such deductions shall be payable to the Association who is responsible for distribution to sponsored programs. The employee's earnings must be sufficient after all other required deductions are made, to cover the amount of the deductions herein authorized. When an employee is in a non-pay status for an entire pay period, no withholdings will be made to cover that pay period from future earnings nor will the employee deposit the amount with the City which would have been withheld if the employee had been in pay status during the period. In the case of an employee who is in a non-pay status during a part of the period, and the salary is not sufficient to cover the full withholding, no deduction shall be made. In this connection, all other required deductions have priority over the employee organization deduction.

(b) Indemnity and Refund. The Association shall indemnify, defend and hold the City harmless against any claim made and against any suit initiated against the City on account of check off of Association dues or premiums for benefits. In addition, the Association shall refund to the City any amounts paid to it in error upon presentation of supporting evidence.

2.2 Use of City Facilities

(a) The Association shall be allowed by the City department in which it represents employees' use of space on available bulletin boards for communications having to do with official Association business, such as times and places of meetings, provided such use does not interfere with the needs of the department.

(b) Any representative of the Association shall give notice to the department head or his/her designated representative when contacting department employees on City facilities during the duty period of the employees, provided that solicitation for membership or other internal Association business shall be conducted during the non-duty hours of all employees concerned. Prearrangement for routine contact may be made with the Police Chief and when made shall continue until revoked by the Chief.

(c) City buildings and other facilities may be made available for use by City employees of the Association or their representatives in accordance with such administrative procedures as may be established by the City Manager or department heads concerned.

2.3 Attendance at Meetings by Employees/Association Release Time

Release Time Related to Meet and Confer. City employees who are official representatives of the Association shall be given reasonable time off with pay, in accordance with MMBA, to attend meetings with City management representatives, or be present at administrative hearings where matters within the scope of representation or grievances related to this unit are being considered.

The use of release time for this purpose shall be reasonable and shall not interfere with the performance of City services as determined by the City. Such employee representatives shall submit a request for excused absence to their department head, in a manner satisfactory prior to the scheduled meeting whenever possible. The number of employees excused for release time related to meeting with City management on meet and confer and grievance matters shall not exceed five (5), except by mutual agreement.

SECTION 3. COMPLIANCE WITH LOCAL, STATE & FEDERAL LAWS

3.1 The City and the Association agree that there shall be no discrimination of any kind against any employee or applicant for employment because of age (over 40), race, color, religion, national origin (ancestry), veterans status, physical or mental disability, marital status, sexual orientation, sex (sexual, gender based, pregnancy/childbirth), political affiliation, legitimate Association activity, or any other protected trait as determined by federal, state and/or local law.

3.2 The Association shall cooperate with the City in the objectives of Equal Employment Opportunities as required by law.

3.3 Fair Labor Standards Act. The Association shall cooperate with the City in the objectives of the Fair Labor Standards Act.

SECTION 4. PROBATIONARY PERIOD

4.1 Purpose

The probationary period shall be utilized for closely observing the employee's work, for securing the most effective adjustment of a new employee to his/her position, and for eliminating any probationary employee whose performance does not meet the required standards of work.

4.2 Original Entrance Positions

The City agrees that it shall adhere to all applicable City Ordinances, State and Federal laws relating to the employment of Police Officers, including standards established by the Peace Officers' Standards and Training Division of the California Department of Justice.

All original entrance positions shall be tentative and subject to a probationary period of eighteen (18) months. The probationary period for entrance positions shall not be extended.

4.3 Promotional Positions

All promotional police appointments shall be subject to a probationary period of twelve (12) months. The probationary period for police promotional positions shall not be extended.

4.4 Retention/Rejection of Probationer

The Director of Human Resources shall notify the appointing authority at least four (4) weeks prior to the termination of any probationary period. At the end of the probationary period, if the service of the probationary employee has been satisfactory to the appointing authority, then the appointing authority shall file with the Director of Human Resources a statement in writing to such effect and stating that the retention of such employee in the service is desired.

During the probationary period an employee may be rejected at any time by the appointing authority. Any employee rejected during the probationary period following a promotional appointment, shall be reinstated to the position from which he/she was promoted unless charges are filed and he/she is discharged in the manner provided in the City Charter Article XXXII Section 9, Civil Service Ordinance and Civil Service Rules.

4.5 Probationer Advanced To Higher Rank

Any promotional probationary police employee who is advanced to a higher classification or is appointed to the rank of Chief of Police or Deputy Chief of Police shall receive credit towards his promotional probationary period for the lower rank while serving in the higher probationary or appointive rank.

SECTION 5. LAYOFF

5.1 Layoff

Any employee may be laid off by an appointing authority in the event of the abolition of his position by the City Council, or if a shortage of work or funds requires a reduction in personnel.

5.2 Layoff Scope

(a) Layoffs shall be within departments of the City.

(b) The departments of the City are defined as follows:

(1) Administrative Services
(2) City Attorney
(3) City Auditor
(4) City Clerk
(5) City Manager
(6) Community Development
(7) Fire
(8) Housing and Redevelopment
(9) Human Resources
(10) Library Services
(11) Municipal Utilities
(12) Parks and Recreation
(13) Police
(14) Public Works

5.3 Notice of Layoff

The City will give advance written notice of at least one pay period to employees who will be laid off.

5.4 Precedence by Employment Status

No permanent employee shall be laid off while employees working in an extra help, seasonal, temporary, provisional, or probationary status are retained in the same classification as such permanent employee. The order of layoff among employees not having permanent status shall be according to the following categories:

a. Extra help or seasonal
c. Temporary

b. Provisional d. Probationary

Layoffs shall be by job classification according to service in that class, except as specified above. For the purpose of this procedure, part-time classes shall be considered as separate from regular full-time classes.

The following provisions shall apply in computing total continuous service:

(a) Time spent on military leave shall count as service in the event the leave was taken subsequent to entry in the department.

(b) Time worked in an extra help, seasonal, provisional, temporary, grant or other limited term status shall not count as service.

(c) Time worked in a permanent or probationary status shall count as service.

If two (2) or more employees have the same seniority, the order of seniority shall be determined by the employees' examination results and ranking on the same eligibility list upon which the employees' were subsequently hired.

5.5 Employee Options

Employees laid off shall have any of the following choices:

(a) Displacing the employee in the same department and in the same or clearly comparable classification as determined by the Director of Human Resources as having the least seniority in that classification. This option shall be exercised before any other option.

(b) Taking a voluntary demotion within the department to a classification in which the employee had prior permanent status, thus displacing the employee working in that classification who has the least seniority in that classification. The voluntary demotee's seniority in the classification to which demoted shall be determined by the demotee's dates of hire in the lower classification.

SECTION 6. REMPLOYMENT/REINSTATEMENT

6.1 Reemployment

When an employee in the classified service who has been performing his duties in a satisfactory manner, as shown by the records of the department in which he has been employed, is laid off because of lack of funds or abolition of his/her position or has been on authorized leave of absence and is ready to report for duty when a position is open, the Commission shall cause the name of such employee to be placed on reemployment list for the appropriate class for reemployment consistent with Civil Service Rule VII Certification and Appointment pertaining to Police safety positions, currently in effect.

The order in which names shall be placed on the reemployment list for any class shall be by seniority, which means "last-laid off, first rehired".

In filling vacancies, eligibles on the reemployment lists take precedence over eligibles on any other list for the same rank in the department for which the lists apply.

6.2 Reinstatement on a Reemployment List

A permanent employee who has resigned in good standing may, with the recommendation of the Police Chief, the City Manager, and the approval of the Civil Service Commission, be restored to a reemployment list of the same classification upon as held upon resignation within a period of one (1) year from the effective date of his/her resignation.

SECTION 7. DISCIPLINE

Disciplinary action, including discharge, suspension, reduction in pay, demotion, or other employment penalty may be taken against any employee for cause.

The appointing authority may discharge, suspend or demote any employee in the classified service provided the City Charter provisions and the Rules and Regulations of the Civil Service Commission and any applicable provisions of law are followed. Such provisions allow the employee suspended, demoted or discharged to file an appeal to the Civil Service Commission. The employee may take any one (1) of the following actions:

(a) File no appeal.

(b) File an appeal with the Civil Service Commission within ten (10) business days of written notification of the action. (Such filing will foreclose use of the grievance procedure.)

(c) File a grievance as provided for in Section 8 starting at step two (2) with the Director of Human resources within ten (10) business days of written notification of the action, or fourteen (14) business days following the mailing of a written notice by first class mail to the employee's address contained in his/her official personnel records.

For purposes of this subsection "business day" means a day on which the Human Resources Department is open for business to the public.

If the employee fails to do (b) or (c) above within the prescribed time frames, these rights will have been waived.

SECTION 8. GRIEVANCE PROCEDURES

8.1 Definition

A grievance is any dispute which involves the interpretation or application of those rules, regulations and resolutions which have been or may hereafter be, adopted by the City Council to govern personnel practices and working conditions, including such rules and regulations as may be adopted by either the City Council or the Civil Service Commission to affect Memoranda of Understanding which result from the meeting and conferring process.

8.2 Filing Deadline

No grievance involving demotion, suspension, discharge or other employment penalty will be entertained unless it is filed in writing with the Director of Human Resources within ten (10) business days of the date of receipt of written notification of such action, or within fourteen (14) business days following mailing of written notification by first class mail to the employee's address contained in his/her official personnel records.

For purposes of this subsection, "business day" shall mean a day on which the Human Resources Department is open for business to the public.

8.3 Grievance Processing

(a) Step 1 - Departmental Review. Any employee who believes that he/she has a grievance may discuss his complaint with such management official in the department in which he/she works as the department head may designate. If the issue is not resolved within the department within seven (7) business days from the day of presentation, or if the employee elects to submit his/her grievance directly to the Association recognized as the representative of his/her classification, the procedures hereinafter specified may be invoked.

(b) Step 2 - Director of Human Resources Review. Any employee or any official of the Association may notify the Director of Human Resources in writing that a grievance exists stating the particulars of the grievance and, if possible, the nature of the determination desired. The Director of Human Resources shall have fourteen (14) business days in which to investigate the issues, meet with the complainant and attempt to reach a satisfactory resolution of the problem. No grievance may be processed under the following two paragraphs which has not first been filed and investigated in accordance with this paragraph except for the resolution of compensation complaints.

(c) Step 3 - City Manager Review. Any grievance which has not been resolved by the procedures hereinabove set forth may be referred to the City Manager by the complainant or by the Director of Human Resources. Such referral shall be in writing, detailing the specific issues involved in the referral together with a statement of the resolution desired. The City Manager shall designate a personal representative who shall not be the Director of Human Resources to investigate the merits of the complaint to meet with the complainant and, if the complainant is not the Association, to meet also with the officials of the Association and to settle the grievance or to make recommendations to the City Manager.

Failure to complete this step within sixty (60) calendar days shall result in the grievance automatically proceeding to step four (4) of the grievance procedure.

(d) Step 4 - Arbitration. Either the Association or the City may require that the grievance be referred to an impartial arbitrator who shall be designated by mutual agreement between the Association and the City Manager. The fees and expenses of the arbitrator and of a court reporter shall be shared equally by the Association and the City. Each party, however, shall bear the cost of its own presentation, including preparation and post hearing briefs, if any.

(e) Effect of Decision. The decision of the arbitrator on matters properly before him/her shall be final and binding on the parties hereto except as provided otherwise herein.

8.4 Scope of Arbitration

No arbitrator shall entertain, hear, decide or make recommendations on any dispute unless such dispute involves a position in a unit represented by the Association and unless such dispute falls within the definition of a grievance as set forth in paragraph 8.1.

Proposals to add to or change this Memorandum of Understanding or written agreements or addenda supplementary hereto shall not be arbitrable and no proposal to modify, amend or terminate this Memorandum of Understanding, nor any matter or subject arising out of or in connection with such proposal, may be referred to arbitration under this Section. No arbitrator selected pursuant to this Section shall have the power to amend or modify this Memorandum of

Understanding or written agreements or addenda supplementary hereto or to establish any new terms or conditions of employment.

No changes in this Memorandum of Understanding or interpretations thereof (except interpretations resulting from the arbitration proceedings hereunder) will be recognized unless agreed to by the City Manager and the Association.

8.5 Other Provisions

If the Director of Human Resources in pursuance of the procedures outlined above, or the City Manager in pursuance of the provisions outlined above resolve a grievance which involves suspension or discharge, they may agree to payment for lost time or to reinstatement with or without payment for lost time, but in the event the dispute is referred to arbitration and the arbitrator finds that the City had cause to take the action complained of, the arbitrator may not substitute his judgment for the judgment of management and if he finds that the City had such right, he may not order reinstatement and may not assess any penalty upon the City.

All complaints involving or concerning the payment of compensation shall be initially filed in writing with the City Manager. Only complaints which allege the employee is not being compensated in accordance with the provisions of this Memorandum of Understanding shall be considered as grievances. Any other matters of compensation are to be resolved in the meeting and conferring process and if not detailed in the Memorandum of Understanding which results from such meeting and conferring process shall be deemed withdrawn until the meeting and conferring process is next open for such decision. No adjustment shall be retroactive for more than thirty (30) days from the date upon which the complaint was filed, except in cases where the City determines that the basis of the compensation issue was a result of a clerical error, the adjustment shall be no more than three hundred and sixty-five (365) days from the date upon which the complaint was filed.

The provisions of this Section shall not abridge any rights to which an employee may be entitled under the City Charter, nor shall it be administered in a manner which would abrogate any power which, under the City Charter, may be within the sole province and discretion of the Civil Service Commission.

All grievances of employees in representation units represented by the Association shall be processed under this Section. If the City Charter requires that a differing option be available to the employee, no action under paragraph (d) of subsection 8.3 above shall be taken unless it is determined that the employee is not availing himself/herself of such option.

No action under paragraph (d) of subsection 8.3 above shall be taken if action on the complaint or grievance has been taken by the Civil Service Commission, or if the complaint or grievance is pending before the Civil Service Commission.

If any award by an arbitrator requires action by the City Council or the Civil Service Commission before it can be placed in effect, the City Manager and the Director of Human Resources will recommend to the City Council or the Civil Service Commission, as appropriate, that it follow such award.

SECTION 9. LEAVES

9.1 Sick Leave

(a) Accrual. All regular employees, except provisional, temporary, and part-time employees, shall accrue sick leave at the rate of eight (8) hours for each full month of service. All regular employees, except provisional, temporary and part-time employees, working less than a full month shall accrue sick leave on a prorated basis. Unused sick leave shall accumulate from year to year. Employees shall continue to accrue sick leave while off duty on authorized sick leave; provided, however, an employee shall not accrue sick leave during any leave or leaves of absence without pay granted to the employee.

(b) Usage. Employees are entitled to sick leave pay for those days, which the employee would normally have worked, to a maximum of sick leave hours accrued.

An employee may use sick leave for preventive medical, dental, optical care, illness, injury or exposure to contagious disease, which incapacitates him/her from performing his/her duties. This includes disabilities caused or contributed to by pregnancy, miscarriage, abortion, childbirth and recovery therefrom.

(c) Usage for Family. Employees may utilize fifty percent (50%) of their annual accrued sick leave to attend to cases of illness or injury in the employee's immediate family.

For the purposes of this section immediate family is defined as the employee's parents, spouse, registered domestic partner, child (child as defined as biological, step, foster or adopted child; a legal ward; child of domestic partner; a child to whom the employee stands in loco parentis), legal dependent, brother, sister, mother-in-law, father-in-law, brother-in-law, sister-in-law, grandparent, and grandchild.

(d) Procedures for Requesting and Approving Sick Leave. When the requirement for sick leave is known to the employee in advance of his absence, the employee shall request authorization for such sick leave from the department head prior to such absence. In all other instances, the employee shall notify his supervisor as promptly as possible of his absence.

Before an employee may be paid for the use of accrued sick leave, he shall complete and submit to his department head a signed statement, on a prescribed form, stating the dates and hours of absence, the exact reason, and such other information as is necessary for his request to be evaluated. If an employee does not return to work prior to the preparation of the payroll, other arrangements may be made with the approval of the department head.

(e) Doctor's Certificate or Other Proof. The Police Chief or the Director of Human Resources may require a doctor's certificate or other reasonable proof of illness as he/she deem necessary in order for an employee to receive an excused absence from work and sick leave pay. The employee shall be given notice prior to returning to work that he or she will be required to provide such documentation. Employees who have unscheduled absences due to illness on a scheduled work day preceding or following a holiday may be required to bring a doctor's certificate or other reasonable proof of illness in order to receive an excused absence and sick leave pay.

(f) Use of Sick Leave While on Vacation. An employee who is injured or who becomes ill while on vacation may be paid for sick leave in lieu of vacation provided that the employee:

(1) Was hospitalized during the period for which sick leave is claimed, or

(2) Received medical treatment or diagnosis and presents a statement indicating disabling illness or injury signed by a physician covering the period for which sick leave is claimed.

(g) Payment for Unused Sick Leave. Except as provided in section (h), all sick leave shall have no cash value upon separation of employment and employees shall not be allowed to cash out unused sick leave. Current employees shall be eligible for CalPERS service credit for unused sick leave at retirement. Employees hired after the City amends its CalPERS contract to eliminate service credit for unused sick leave shall not be eligible for that service credit.

(h) Sick Leave Retention Benefit.

If, after subtracting the equivalent of one full year of service credit (2080 hours), which may be applied to CALPERS service credit, any balance remaining upon separation shall be paid as follows to employees who have remained in City service until the dates specified:

(1) Separation prior to July 1, 2014, no payment of unused sick leave at separation shall occur for separating employees before this date;

(2) Separation between July 1, 2014 and June 30, 2015, payment of unused sick leave which the employee held on 2/16/12 shall be paid at 35% of its cash value to separating employees between these dates; and

(3) Separation after July 1, 2015, payment of unused sick leave which the employee held on 2/16/12 shall be paid at 50% of it's cash value to separating employees after this date.

(4) Service credit for unused sick leave shall be in accordance with PERS regulations.

9.2 Military Leave

An employee of the City who is a member of the National Guard or Naval Militia or a member of the Reserve Corps or force of the Federal Military, Naval, or Marine service and is ordered to duty shall be granted leave with pay while engaged therein, provided the leave does not exceed thirty (30) days in any calendar year.

All regular employees in the service of the City shall be allowed leave of absence without pay for the duration of a national emergency who have been inducted into the Army, Navy, Marine Corps, Air Force, or any other branch of the Military Service of the United States or the State of California. Said employees shall be reinstated in the position they held when they were inducted into Military Service, except as hereinafter stated, providing they are physically fit as shown by a medical examination by the City Physician or other physician appointed to make a medical examination.

In the case of a probationary employee having served his minimum probationary period of eighteen (18) months at the time of induction, it shall be optional with the department head and the City Manager to grant regular status to said employee before induction.

All probationary employees inducted into Military Service not having served the minimum probationary period of eighteen (18) months, or having served the minimum probationary period of eighteen (18) months, but not having received regular status shall be allowed leave of absence without pay for the duration of a national emergency, but said employees shall be placed at the head of the eligible list for such position in the order of their seniority of employment and when appointed to a vacant position, they must be physically fit as above specified and shall serve the balance of their probationary period before attaining the status of a regular employee.

Two or more regular employees granted military leave of absence without pay from the same position shall be reemployed according to their seniority of employment providing they are physically fit as above specified.

9.3 Court Appearance

Upon approval by the department head, an employee, other than a provisional or temporary employee, shall be permitted authorized absence from duty for appearance in court because of jury service, in obedience to subpoena or by direction of proper authority, in accordance with the following provisions:

(a) Said absence from duty will be compensated for actual hours the employee serves on the jury or is required to remain in court to testify as a witness in a criminal case, other than as a defendant, including necessary travel time. As a condition of receiving such full pay, the employee must remit to the City Treasurer, through the employee's department head, within fifteen (15) days after receipt all fees received except those specifically allowed for mileage and expenses.

(b) Jury duty or witness duty appearances shall be considered in terms of actual hours spent performing those duties. If an employee is not due to appear for jury duty or as a witness until afternoon court session, he/she will be expected to work his usual morning schedule. If an employee is required to appear for morning court session and is released before noon and not required to return to court in the afternoon, he/she shall work the remainder of his/her usual afternoon schedule.

(c) Said absence from duty will be without pay when the employee appears in private litigation to which the City of Stockton is not a party.

Any fees allowed, except for reimbursement of expenses incurred, shall be remitted to the City Treasurer through the employee's department head.

Notwithstanding the foregoing, attendance in court in connection with an employee's official duties or in behalf of the City of Stockton in connection with a case in which the City of Stockton is a party, together with travel time necessarily involved, shall not be considered absent from duty within the meaning of this Section.

9.4 Bereavement Leave

In the event of a death in the immediate family of an employee, the employee shall, upon request be granted up to three (3) days bereavement leave with pay without charge to his/her accumulated sick leave credits or vacation eligibility. The City Manager may grant an additional three (3) days bereavement leave upon request which shall be charged against the employee's accumulated sick leave credits in cases where extensive travel is required to attend the funeral.

For the purposes of this Section, the immediate family shall be restricted to the employee's parents, spouse, registered domestic partner, child, step child, brother, sister, mother-in-law, father-in-law, brother-in-law, sister-in-law, grandparent, and grandchild.

In the event of the death of a person not immediately related to an employee as defined above, the employee's department head may grant up to three (3) days bereavement leave upon request which shall be charged against the employee's accumulated sick leave credits.

9.5 Workers Compensation Leave

Forms and Procedures. Workers' compensation processing shall be consistent with City procedures and in accordance with state workers' compensation regulations. An employee who sustains a work-related injury or illness shall immediately inform his/her supervisor no matter how minor an on-the-job injury may appear. An employee who sustains a work-related injury or illness requiring medical care is required to seek medical care at facilities designated by the City unless they have filed a pre-designation of personal physician prior to sustaining the work-related injury or illness. For a list of City designated medical care facilities and/or physicians, please contact Human Resources.

9.6 Leave of Absence

Employees shall not be entitled to leaves of absence as a matter of right, but only in accordance with the provisions of law and the City of Stockton Municipal Code. Unless otherwise provided, the granting of a leave of absence also grants to the employee the right to return to a position in the same classification or equivalent classification, as the employee held at the time leave was granted. The granting of any leave of absence shall be based on the presumption that the employee intends to return to work upon the expiration of the leave.

All approval authority over leaves of absence exercised by the department head under this Section shall be subject to review by the City Manager, whose ruling shall be final.

Employees on authorized leaves of absence without pay shall not be entitled to payment by the City of the premiums for their health and dental insurance, except as provided hereinafter.

The entitlement to City payment of premiums shall end on the last day of the month in which the employee was paid except that employees on an authorized leave of absence may continue enrollment in the City health insurance plan by prepayment of the monthly premium during the authorized leave of absence.

Authorized absence without pay which exceeds thirty (30) consecutive calendar days, except military leave, shall not be included in determining salary adjustment rights, based on length of employment. Periods of time during which an employee is required to be absent from his/her position by reason of an injury or disease for which he/she is entitled to and currently receiving Workers' Compensation benefits shall be included in computing length of service for the purpose of determining that employee's salary adjustments.

9.7 Leave of Absence Without Pay

(a) Purpose and Length. Only employees occupying regular positions on a permanent basis are eligible for leaves of absence without pay under the provisions of this Section.

An appointing authority may grant a leave of absence without pay for personal reasons up to a maximum of twelve (12) months with approval of the Director of Human Resources.

Leaves of absence without pay on account of illness or injury which are not job-incurred may be granted for a maximum period of twelve (12) months with approval of the Director of Human Resources. This includes disabilities caused or contributed to by pregnancy, miscarriage, abortion, childbirth and recovery therefrom.

Such a leave will be granted only after all accrued sick credits have been used and shall be substantiated by a physician's statement.

(b) Application for and Approval of Leaves of Absence Without Pay. In order to receive leave without pay, an employee must submit a request on the prescribed form to his department head and the City Manager describing the reasons for the request and all other information required for the department head, or his representative, to evaluate the request. Leaves without pay may be canceled by the department head at any time.

9.8 Absence Without Leave

(a) Refusal of Leave or Failure to Return After Leave. Failure to report for duty or failure to report for duty after a leave of absence request has been disapproved revoked or canceled by the department head or City Manager or at the expiration of a leave, shall be considered an absence without leave.

(b) Voluntary Resignation. Any employee of this bargaining unit absent without leave for two (2) or more consecutive days or absent an aggregate of either sixteen (16) hours or twenty (20) hours in any calendar month without a satisfactory explanation shall be deemed to have voluntarily re-signed from the City of Stockton except if the absence is due to a verified illness or injury.

9.9 Vacation Leave

(a) Vacation Allowance. All regular employees, excluding provisional, temporary and part-time employees shall accrue vacation leave with pay semi-monthly in accordance with the following schedule:

Less than 1-1/2 years continuous employment	80 hours/year
After 1-1/2 years up to 7 1/2 years	108 hours/year
After 7-1/2 years up to 15 years	144 hours/year
After 15 years up to 25 years	189 hours/year

Seven (7) additional hours hence for each completed year of service in excess of twenty-five (25) years.

(b) Vacation Accumulation. Effective July 1, 2012, the following maximum vacation accruals shall take effect. Employees reaching the maximum hours provided here shall stop accruing additional vacation hours until they are below the caps listed here. No vacation hours may be added to sick leave balances without exception.

Employees who, on July 1, 2012, have vacation balances that exceed their maximum shall have until June 30, 2013 to use sufficient vacation satisfy the maximum allowed. If an employee does not satisfy the maximum by June 30, 2013, he/she shall retain his/her existing earned vacation, but shall not earn any additional vacation until the employee's vacation balance is under the maximum vacation accrual allowed.

The maximum number of vacation hours that employees on a 40 hour workweek shall accrue are as follows:

Under 1.5 years	120 hours
1.5 – 7.5 years	240 hours
7.5 – 15 years	280 hours
15 – 25 years	320 hours
26 years	328 hours
27 years	336 hours
28 years	344 hours
29 years	352 hours
29 plus years	7 hours each additional year

(c) Vacation Schedule. The time at which employees shall be granted vacation leave shall be at the discretion of the department head with due regard for the wishes of the employee and needs of the City.

(d) Vacation Allowance for Separated Employees

(1) When an employee is separated from the service between February 17, 2012 and July 1, 2014, the employee's remaining vacation allowance, if any, shall be paid as follows:

a. Upon separation, employees shall receive one third (1/3) or $10,000, whichever is greater, of the total of his/her unused accumulated vacation hours.

b. On the one year anniversary of employee's separation, he/she shall receive the second payment of one third (1/3) or $10,000, whichever is greater of the balance of his/her unused accumulated vacation hours.

c. On the second year anniversary of employee's separation he/she shall receive payment for the balance of the unpaid accumulated vacation hours.

d. Employees who are involuntarily separated shall have their remaining vacation allowance, if any, added to his/her final compensation.

(2) An employee who has resigned in good standing and is subsequently reinstated within one (1) year from the date of his resignation shall have his prior service counted in determining eligibility for vacation benefits, deducting therefrom the amount of time between the date of resignation and the date of reinstatement which shall not be counted in determining eligibility.

SECTION 10. DAYS AND HOURS OF WORK

10.1 Regular Workweek

The normal workweek for Police Unit employees shall consist of five (5) eight (8) hour days or a minimum total of forty (40) hours. Where operational requirements of a department require deviations from the present schedule, the City Manager may institute alternate work schedules, consistent with provisions of the State Law.

10.2 Regular Workweek for Patrol

The work schedule for patrol is the current 4/10 work schedule. The Chief of Police may change the start/finish time of a shift after providing written notification.

10.3 Meal Periods

Phase shift employees normally receive a one-half (1/2) hour meal with pay each day.

Other Police Unit employees will normally receive a one (1) hour meal period without pay.

10.4 Work Furloughs

(a) 62 Furlough Hours. Effective the pay period that includes July 1, 2012 through June 30, 2014, each employee shall take sixty two (62) unpaid furlough hours in each fiscal year in accordance with (c) and (d) of this section for a total of one hundred and twenty four (124) hours of unpaid furlough hours. The parties agree that the City shall have the complete authority to reduce or eliminate, but not increase the 62 hours per fiscal year furlough requirement, at any time during the term of this contract upon written notice from the City to the SPOA.

(b) Equalized Payroll Deductions. Payroll deductions for the sixty two (62) furlough hours per fiscal year of this contract described in section 10.4, paragraph (a) herein above shall be equalized so that each bargaining unit employee shall have three percent (3%) of the employee's regular hourly rate of pay deducted from each of the twenty-four (24) pay warrants in each fiscal year.

(c) Furlough Bank. On or after the first pay period in July of 2012 and July of

2013, sixty two (62) furlough hours per fiscal will be placed in a furlough bank. There shall be no cash value provided for any furlough hours since the start of the furlough program in 2009 and all furlough bank hours shall be used in accordance with 10.4 d below.

(d) Use of Furlough Hours. All furlough leave shall be scheduled in advance with the employee's supervisor. All Furlough must be scheduled and used prior to the date of separation in accordance to City's leave policies.

SECTION 11. OVERTIME

11.1 Authorization

All compensable overtime must be authorized by the Chief of Police or the Chief's designated representative in advance of being worked. If prior authorization is not feasible because of emergency conditions a confirming authorization must be made on the next regular work day following the date which the overtime was worked.

11.2 Compensation

The following provisions pertaining to authorized statutorily required overtime work shall apply to employees whose normal work period is eight (8) hours per day and forty (40) hours per week, or (10) hours per day and forty (40) hours per week:

(a) Statutory overtime shall be paid on actual time worked in excess of forty (40) hours in any workweek. Such overtime shall be paid for at time and one-half (1-1/2) including employees employed on a per hour or per day basis or except as provided elsewhere herein.

(b) On a holiday observed by the City an employee shall be paid for a regular day plus time and one-half (1-1/2) for actual time worked.

(c) Hours worked shall include all actual time worked. Furlough hours taken, holiday hours taken and observed holidays where the City is closed shall be considered as time worked and those positions in this unit are not required to report to work. Sick leave, vacation, or other compensated time off shall not be considered as actual time worked.

11.3 Court Appearance Pay While in Off Duty Status

(a) An employee required by proper authority to appear in court during off-duty hours shall receive compensation of three (3) hours at time and one-half (1-1/2) or actual time worked at the appropriate rate, whichever is greater.

(b) Voluntary Court Standby.

Police Unit employees who voluntarily place themselves on standby for court appearance while off duty shall receive one (1) hour of pay at the regular rate for the four (4) hours of standby for the a.m. and, if required to remain on standby, one (1) additional hour at the regular rate of pay for the additional four (4) hours of standby for the p.m.

11.4 Call-Back Policy

When an employee is called back to work from an off-duty status, the employee shall be compensated for a minimum of three (3) hours at time and one-half (1-1/2) or actual time worked at time and one-half (1-1/2), if eligible for overtime as defined in Section 11.2, above, whichever is greater.

11.5 Compensatory Time

(a) Definition - As used in this Section, the term Compensatory Time refers to that time which an employee is entitled to be absent from duty with pay for hours worked in addition to or excess of their normal work schedule. Such time has previously been referred to as Earned Time.

(b) Accrual - For all hours in excess of forty (40) hours in a seven (7) day work period, for which the employee is in a paid status, the Association agrees that compensatory time shall be earned at the rate of time and one-half (1-1/2).

No more than eighty (80) hours (fifty-six and one-third hours [56-1/3]) worked at time and one-half (1-1/2) may be carried on the books at any time. When the time card is filled out, employees may elect to accrue Compensatory Time or be paid cash.

(c) Use - Use of Compensatory Time shall be scheduled with due consideration for the wishes of the employee and so as to not interfere with the normal operation of City business. Approval of requests for use of Compensatory Time shall be at the sole discretion of the department head, but once approved, cannot be changed unless an emergency situation arises.

(d) Payment - Once eighty (80) hours of Compensatory Time is accrued on the books, all other hours worked in excess of forty (40) hours in a seven (7) day work period will automatically be paid. At the end of each calendar year, all Compensatory Time will be carried forward (forty (40) hours maximum), unless the employee elects to have the compensatory balance paid. Carryover Compensatory Time cannot exceed the forty (40) hours maximum.

11.6 Standby Compensation

Employees who are placed on standby on Saturday or Sunday or their normal day off shall be paid at the rate of $3.00 per hour for each hour on standby assignment. An employee shall earn time and one-half (1-1/2) for all actual time worked while on standby duty status only if eligible for overtime as defined above. An employee shall not continue to receive the "standby" premium during actual time worked or for any hours paid as overtime or call back. Standby is not considered as time in "paid status because of work performed" for purposes of calculating overtime.

Employees who are placed on standby after their normal tour of a regular work day shall receive $3.00 per hour for each hour of standby. An employee shall earn time and one-half (1-1/2) for all actual time worked while on standby duty status only if eligible for overtime as defined above. An employee shall not continue to receive the "standby" premium during actual time worked or for any hours paid as overtime or call back. Standby is not considered as time in "paid status because of work performed" for purposes of calculating overtime.

Employees who are placed on standby shall take a City vehicle and a beeper when required to stand by. The vehicle and beeper shall be turned in at the conclusion of each standby assignment.

While in such standby status employees shall leave with the Command Center a telephone number at which they can be reached. Such employees shall be within forty-five (45) minute response time availability to the Police Department.

11.7 No Standby Compensation for Time Worked

Employees shall not simultaneously receive compensation for court appearance, voluntary court standby, standby, or call back pay provided in Sections 11.3(a), 11.3(b), 11.4 or 11.6. Employees are eligible to receive overtime only in accordance with Section 11.2 above.

SECTION 12. HOLIDAYS

12.1 Holiday Compensation

(a) All regular and probationary Police Unit employees shall receive, in addition to their normal compensation, one day's pay for each of the holidays listed.

(b) Police Unit employees required to work a holiday shall be compensated an additional day's pay at one and one-half (1-1/2) times the straight time rate. This compensation can be in the form of direct payment or compensatory time. Compensatory time overtime hours shall be limited to a maximum accumulation of eighty (80) hours at any point. Police Unit employees requesting payment for compensatory time shall, prior to July 1, each year, declare on a form provided by the City their intention to receive equivalent compensatory time for holidays which they may have to work.

12.2 Holidays Observed by the City

Employees shall receive the following holidays on full pay not to exceed eight (8) hours for any one (1) holiday, unless otherwise provided in this section.

(1) New Years Day .... (January 1)
(2) Martin Luther King's Birthday .... (Third Monday in January)
(3) Lincoln's Birthday .... (Second Monday in February)
(4) Washington's Birthday .... (Third Monday in February)
(5) Cesar Chavez' Day .... (March 31)
(6) Memorial Day .... (Last Monday in May)
(7) Independence Day .... (July 4)
(8) Labor Day .... (First Monday in September)
(9) Columbus Day .... (Second Monday in October)
(10) Veteran's Day .... (November 11)
(11) Thanksgiving .... (Fourth Thursday in November)
(12) Day following Thanksgiving .... (Fourth Friday in November)
(13) Christmas Day .... (December 25)

For employees on a Monday through Friday workweek, if holidays fall on a Sunday, the following Monday shall be observed. If holidays fall on Saturday, the preceding Friday shall be observed.

For employees on 4/10 alternative work schedule, employees may flex the remaining two hours of a scheduled holiday within the same FLSA work period with prior approval of their supervisor.

For employees on 9/80 alternative work schedule, employees may shift their work schedule so that their eight (8) hour day falls on designated holiday with prior approval of their supervisor.

SECTION 13. COMPENSATION AND ALLOWANCES OTHER THAN BASE SALARY

13.1 Retirement Contribution Supplement

(a) The City contributes an amount equal to nine percent (9%) of the employee's current base salary and other compensation as qualified by State law toward P.E.R.S. benefits. Such amounts will be applied to the employee's individual account in accordance with Government Code Section 20691.

(b) The City will make application to P.E.R.S. to provide California Government Code section 20692 (Employer Paid Member Contributions Converted to Payrate during the Final Compensation Period) as an additional P.E.R.S. benefit, to be effective upon adoption by the Stockton City Council and the P.E.R.S. Administration Board. The Internal Revenue Service (IRS) Code 414H(2), whereby employee contributions shall be tax deferred (not subject to taxation until time of constructive receipt) will be concurrently implemented with P.E.R.S. California Government Code section 20692.

At the beginning of employee's last year of employment, such employee shall pay their employees' nine percent (9%) retirement contribution through an automatic payroll deduction. The City shall increase the employee's base salary by the same nine percent (9%) for the last twelve (12) months of employment.

(c) Legacy employees hired on or before December 31, 2012 shall pay nine (9%) of the employee's current base salary (employee contribution) and other compensation as qualified by state law towards the Public Employees' Retirement System (PERS) towards the employee's share of cost for PERS pension. Such amounts will be applied to the employee's individual account in accordance with Government Code section 20691.

(d) Non Sworn Police Officer Trainee. The City and the Association agree that employees hired into the Non Sworn Police Officer Trainee classification shall be members of the "local miscellaneous" retirement plan rather than the "local safety" retirement plan.

The employee shall contribute seven percent (7%) of the employee's current base salary and other compensation as qualified by State law toward the P.E.R.S. Local Miscellaneous Members Plan. Such amounts will be applied to the employee's individual account in accordance with Government Code section 20691.

Upon satisfactory completion of basic recruit training, the Non Sworn Police Officer Trainee (Local Miscellaneous Member) shall be transferred to Sworn Police Officer plan (Local Safety Member).

13.2 Military Service Credit

The City shall provide for military service pursuant to the provisions of Government Code Section 21024, formerly Section 20930.3 and Section 20930.33, at the employee's expense.

13.3 P.E.R.S. Fourth Level Of 1959 Survivor Benefits

The City provides P.E.R.S. California Government Code section 21574 (Fourth Level of 1959 Survivor Benefits) as an additional retirement benefit, to be effective upon adoption by the Stockton City Council and the P.E.R.S. Administration Board.

13.4 P.E.R.S. 3% At Age 50 Retirement for Employees Hired on or before December 31, 2012

On July 21, 2000, the City made application to PERS to provide P.E.R.S. California Government Code section 21362.2 (3% at age 50) as an amendment retirement benefit, to be effective upon adoption by the Stockton City Council and the P.E.R.S. Administration Board.

13.5 PERS Benefits for Employees hired on or after January 1, 2013

(a) Employees hired on or after January 1, 2013 shall be subject to the new AB340 PERS pension formula of 2.7%@57 with no optional pension enhancements. Employees shall pay 50% of the City normal cost rate for the 2.7% @57 as determined by CalPERS.

(b) As soon as administratively possible, the City shall amend its CalPERS contract to eliminate sick leave conversion and the enhanced survivor benefits for all employees hired on or after the effective date of the contract amendment.

13.6 Uniform Allowance

(a) Employees in this unit shall receive as additional annual compensation, a uniform allowance in the amount of nine hundred fifty dollars ($950.00).

Payment shall be made in two equal installments of one-half (1/2) of the annual value of uniform allowance to eligible employees during the months of April and October.

(b) Protective Vests - The City shall provide safety protective vest and annual testing by lot number.

13.7 P.O.S.T. Incentive Pay

(a) The City will pay three percent (3%) of the Police Officer top salary step for employees who attain an Intermediate P.O.S.T. Certificate and six percent (6%) of the Police Officer top salary step for employees who attain an Advanced P.O.S.T. Certificate.

(b) Effective January 1, 1999, the City will pay three percent (3%) of the Police Sergeant top salary step for employees who attain an Intermediate P.O.S.T. Certificate, and six percent (6%) of the Police Sergeant top salary step for employees who attain an Advanced P.O.S.T. Certificate.

(c) The Personnel and Training Division of the Police Department will submit the appropriate paperwork to the Human Resources Services Department confirming and authorizing P.O.S.T. Educational Incentive Pay for eligible employees.

Compensation shall be effective the first of the month following the date of eligibility for the certificate.

13.8 Longevity Increment Pay for Police Officer for Grandfathered Employees Only

Effective August 1, 2011, Longevity Increment Pay for Police Officer shall be eliminated, Those members who were receiving Longevity Increment Pay as of July 31, 2011, shall be grandfathered, and effective August 1, 2011 their Longevity Increment Pay shall be reduced by 5% and shall remain frozen at that level and no additional increments shall be earned, as described herein.

(a) For those members who as of July 31, 2011 were receiving five percent (5%) of top salary step in rank for longevity, upon completion of six (6) continuous years of service as a public safety officer with the Stockton Police Department, effective August 1, 2011 those members shall no longer receive longevity increment pay. This longevity increment pay shall remain frozen at this level and no additional increments shall be earned.

(b) For those members who as of July 31, 2011 were receiving seven percent (7%) of top salary step in rank for longevity, upon completion of nine (9) continuous year of service as a public safety officer with the Stockton Police Department, effective August 1, 2011 the City shall pay two percent (2%) of top salary step in rank for longevity pay. This longevity increment pay shall remain frozen at this level and no additional increments shall be earned.

(c) For those members who as of July 31, 2011 were receiving twelve percent (12%) of top salary step in rank for longevity, upon completion of twelve (12) continuous years of service as a public safety officer with the Stockton Police Department, effective August 1, 2011 the City shall pay seven percent (7%) of top salary step in rank for longevity pay. This longevity increment pay shall remain frozen at this level and no additional increments shall be earned.

(d) For those members who as of July 31, 2011 were receiving fourteen percent (14%) of top salary step in rank for longevity, upon completion of eighteen (18) continuous years of service as a public safety officer with the Stockton Police Department, effective August 1, 2011 the City shall pay nine percent (9%) of top salary step in rank for longevity pay. This longevity increment pay shall remain frozen at this level and no additional increments shall be earned.

(e) For those members who as of July 31, 2011 were receiving nineteen percent (19%) of top salary step in rank for longevity, upon completion of twenty-four (24) continuous years of service as a public safety officer with the Stockton Police Department, effective August 1, 2011 the City shall pay fourteen percent (14%) of top salary step in rank for longevity pay. This longevity increment pay shall remain frozen at this level and no additional increments shall be earned.

(f) For the limited purpose of defining continuous service under this Section of the Memorandum of Understanding, continuous service shall include leaves without pay for less than one (1) year as long as the public safety officer did not withdraw the his or her contributions to P.E.R.S.

(g) **Effective July 1, 2012, Section 13.8(a) through (f) are modified as follows:**

Employees who are receiving Longevity Pay as described above shall have their Longevity pay reduced an additional 4% effective July 1, 2012, except that individuals whose 2011 reduction of the following amounts

(Reductions of Longevity pay, elimination of Master Officer Pay, elimination of Educational Incentive and payment of employees PERS contribution) was 22% shall have their Longevity amount reduced by 1%. The longevity increment pay shall remain frozen at this level and no additional increments shall be earned nor additional persons shall qualify for this pay.

13.9 Longevity Increment Pay For Police Sergeant

The 5% Longevity Pay received by Sergeants is frozen effective July 1, 2012 and no additional persons shall qualify for this pay.

13.10 Canine Handler Compensation

Employees assigned canine responsibilities shall be paid a maximum of ten (10) hours per month, at the rate of one and one-half (1-1/2) time. Compensation shall be for time spent by officers on their off-duty time to feed and exercise the dog and to clean the kennel.

13.11 Motorcycle Officer Compensation

Effective the first full pay period after the effective date of this contract, employees assigned motorcycle responsibilities shall be paid a maximum of four and one-quarter (4.25) hours per month, at the rate of one and one-half (1-1/2) time. Compensation shall be for the time spent by officers on their off-duty time to clean, wax and generally maintain their assigned motorcycles.

13.12 Explosive Ordinance Disposal Compensation

Effective July 1, 2005, the pay for unit members assigned to EOD shall be paid a maximum of five (5) hours per month at the rate of one and one-half (1-1/2) time.

13.13 SWAT Compensation

Effective the first full pay period after the effective date of this contract, the pay for unit members assigned to SWAT shall be paid a maximum of four and one-quarter (4.25) hours per month at the rate of one and one-half (1-1/2) time.

13.14 Field Training Officer Compensation

Effective July 1, 2005, the pay for unit members assigned to Field Training Officer shall be five percent (5.0%) of the top salary step of rank.

13.15 Bilingual Pay

Effective July 1, 2005, the pay for qualified and approved bilingual skill will be two and one-half percent (2.5%) of the top salary step of rank.

To be eligible for this differential pay, an officer must be certified to meet the functional needs of the Department. The Chief of Police has the sole discretion in determining the number of officers needed for bilingual services, the languages that will be recognized, and the functional language skills needed for the Department.

13.16 Acting Pay

Any employee who is assigned by proper authority to work in a higher paid classification and who performs a majority of the duties of that higher position shall receive that rate of pay in a step of the higher classification which would have been received if the employee had been promoted into that classification.

SECTION 14. INSURANCE PLANS

14.1 Health Insurance And Related Benefits

a. Choice of Health Plans. Employees in this bargaining unit shall have a choice of enrolling themselves and their eligible dependents in any of the City sponsored medical, dental and vision plans. Each plan shall offer an Employee only, Employee plus One and Employee plus two or more dependents coverage. The City shall offer two or more medical plans to regular employees. As soon as administratively possible after the ratification and adoption of this MOU by the City Council, an HMO (Kaiser) will be added as a plan choice for employee's in this unit.

b. Eligibility. Employees shall become eligible for Medical insurance on the first day of the month subsequent to completion of thirty (30) days of continuous service with the City. Employees shall become eligible for Dental insurance on the first day of the month subsequent to completion of sixty (60) days continuous service with the City. An eligible employee and eligible dependent may be enrolled in a City offered medical plan either as a subscriber in a City offered medical plan or, as the dependent spouse/registered domestic partner or another eligible City employee, but not both. If an employee is also eligible to cover their dependent child, the child will be allowed to enroll as a dependent on only one employee plan (i.e., an employee and his or her dependent cannot be covered by more than one City-offered health plan).

c. City Contribution Towards the Cost of Insurance Programs. Effective September 1, 2011:

(1) The City shall contribute up to $481.00 per month toward the cost of the monthly premium for employee-only medical/dental/vision plan coverage.

(2) The City shall contribute up to $875.00 per month toward the cost of the monthly premium for employee plus one dependent medical/dental/vision plan coverage.

(3) The City shall contribute up to $1165.00 per month toward the cost of the monthly premium for employee plus two or more dependents medical/dental/vision plan coverage.

These contributions are based on full-time employment; regular part-time employees shall receive a prorated contribution based on their percentage of full-time employment. Insurance plan premiums that exceed the City's monthly contribution shall be paid by the employee through payroll deductions. The City shall maintain its IRS 125 Plan to allow for employee contributions for medical/vision/dental to be pre-tax premium conversion.

d. Plan Rules. Employees may insure themselves and their eligible dependents under the medical/vision and dental plans provided by the City, in accordance with the rules and regulations applicable to the selected Plan. Benefits in the Plan shall be in accordance with the Plan document.

e. Plan design changes to the City's Modified Plan for employees are effective September 1, 2011 (see Appendix B for details of Plan modification).

f. It is understood that a coalition of the City's unions, including SPOA, are exploring the possibility of providing a health plan for all city employees and retirees, independent from the City. On or before October 1, 2012, the Unions shall notify the City of whether they in fact are proposing to assume the provision of medical plans for employees and retirees. Should the City and unions in fact agree upon the unions administering their own plan, the terms of that assumption shall be established through meet and confer, as set forth in the Appendix C. The terms of such plan, once agreed upon shall supersede this section to the extent inconsistent, provided the City's contribution to such plan for active employees in this unit shall not exceed the maximum contributions set forth subsection c.

14.2 Retirement Medical Allowance

a. Eligibility.

An eligible retiree and eligible dependent may be enrolled in a City offered medical plan either as a subscriber in a City offered medical plan or, as the dependent spouse/registered domestic partner or another eligible City employee/retiree, but not both. If an employee/retiree is also eligible to cover his/her dependent child, the child will be allowed to enroll as a dependent on only one employee or retiree's plan (i.e., a retiree and his or her dependent cannot be covered by more than one City-offered health plan). The City does not provide any retiree medical program, allowance, or City contribution for employees hired on or after July 1, 2011.

b. City Contribution for the Period of July 1, 2012 – June 30, 2013.

The City shall provide to employees retiring from the City the following contribution towards the cost of retiree medical insurance from July 1, 2012 through June 30, 2013:

1. Employees retiring with over 10 years of full time service with the City of Stockton as a regular employee shall receive a City contribution of $150 a month towards the cost of retiree medical insurance.

2. Employees retiring with over 20 years of full time service with the City of Stockton as a regular employee shall receive a City contribution of $300 a month towards the cost of retiree medical insurance.

3. Employees retiring with over 30 years of full time service with the City of Stockton as a regular employee shall receive a City contribution of $450 a month towards the cost of retiree medical insurance.

4. Employees with less than 10 years of service for the City shall not be eligible for a city contribution towards retiree medical.

5. Benefits for part time employees who retire are prorated based on their full time equivalent.

6. The City contributions shall end with the death of the retiree and no survivor benefits are provided.

7. a. Retirees may enroll themselves or their dependents at their own expense in City sponsored medical plans only (dental and vision are not offered to retirees). The City reserves the right to set benefit levels in medical plans for retirees and at its exclusive option only provide fully insured plan choices to retirees for enrollment. The City reserves the right to discontinue inclusion of retirees in City sponsored medical plans at any time.

   b. The City's commitment to provide retiree medical benefits during the 2012-2013 fiscal year is to the retiree and shall end upon the death of the retiree. Surviving spouses shall not be eligible for any City paid benefit after the death of the City retiree. Any benefits previously paid to surviving spouses have been paid in error and without the approval of the City Council.

   c. Elimination of Retiree Medical Program effective June 30, 2013. Effective June 30, 2013, the City shall no longer provide a contribution towards the cost of retiree medical insurance for current employees (future retirees) and current retiree.

14.3 Alternative Retirement Medical Plans

The parties have negotiated that employees may choose to enroll in one or more additional health plans instead of the City Modified Plan (including but not limited to Kaiser Sr. Advantage).

This language sets forth the conditions in which current employees, when they retire from the City and otherwise qualify for a retiree medical benefit from the City as stated in Sections 14.2 and 14.4 of this MOU, may also choose to enroll in City sponsored alternative plans in the same manner as when they were employees, as well as retiree only medical plans. The following conditions shall apply:

(a) If an employee is in a City sponsored alternative plan at the time of retirement, the employee shall be allowed to continue in that Plan. Employees in the union sponsored plans authorized by the City at the time of retirement shall be allowed to continue in that Plan. Employees not in an alternative Plan at the time of retirement shall not be allowed to enroll in any alternative plan except that any retiree may voluntarily enroll in a City sponsored retiree only Plan.

A retiree may only enroll in alternative plans other than the City Modified Plan when:

(a) The retiree selecting plans other than the City's Modified Plan agrees that the City's financial contribution to a premium payment for any other Plan shall not exceed the current contribution amount the City would pay if the retiree is enrolled in the City Modified Plan, and;

(b) The individual retiree will be required to sign a form that indicates agreement with these conditions.

The City reserves the right to eliminate these additional plans and the choice of multiple plans is not a vested right. As with the City Modified Plan, the City reserves the right to make plan design changes as necessary in these Alternative Plans.

14.4 Medicare Supplemental Coverage Requirements only for Employees hired on or before June 30, 2011

The City reserves the right to terminate reimbursement payments for Part A

Medicare coverage, in which event the retiree will receive the City's modified medical plan which includes medical design changes effective September 1, 2011 as the primary health coverage, with the premiums for such coverage to be paid by the City. The coverage provided pursuant to this section shall apply to the retiree and his/her spouse. Refer to section 14.2 regarding Elimination of Retiree Medical Plan effective June 30, 2013.

Under the federal Health Care Reform Plan, sponsors may modify the medical benefits provided to retirees only. The City will modify its retiree health care plan to reflect the following:

(a) Return Plan benefits for Acupuncture to 12 visits per year (instead of unlimited) and returns the payment percentage paid to 60% (instead of 80%);
(b) Return Plan benefits for Alcohol and Drug Treatment admissions to 30 days and 3 lifetime admissions (instead of unlimited);
(c) Return Plan benefits for Outpatient Mental Health or Nervous Disorder services to 15 visit maximum (instead of unlimited);
(d) Change Plan benefits for Preventative care and wellness to 80% instead of current 100%;
(e) Return Plan benefits on the lifetime cap on plan benefits to $2.5 million (instead of unlimited);
(f) Return Plan benefits on the maximum age of dependent children to be enrolled in the Plan to age 19 unmarried, and not serving in the armed forces to 23 if attending school full time and qualifies as a dependent for federal income tax purposes.(instead of age 26);
(g) Change Plan benefits for Emergency room benefits.

If portions or whole of the Federal Affordable Care Act is modified subsequent to the adoption of this memorandum of understanding, the City and POA will meet and confer over any identifiable negotiable impact to those modifications.

14.5 <u>Retiree Medical Trust</u>

The City will cooperate with the SPOA to amend the documents related to the SPOA Retiree Medical Trust ("RMT") to reflect that the City relinquishes all of its right to designate any trustees under the RMT and any and all rights, obligations, or responsibility under the RMT so that only the SPOA designated Trustees will administer the RMT.

The City has no objection to the transfer of all current assets in the RMT to another trust (the "Receiving Trust") selected by the SPOA designated RMT

Trustees so long as the Receiving Trust agrees to hold those assets for the exclusive benefit of eligible retirees. Further, the SPOA and the City agree that the transfer of assets will be contingent on the SPOA and Receiving Trustees agreeing that on and after the transfer of the assets of the RMT to the Receiving Trust (i) the City's only obligation with respect to such Receiving Trust will be to make any agreed upon contributions to the Receiving Trust, and (ii) the SPOA and the Receiving Trustees further agree. that on and after the transfer of the assets of the RMT to the Receiving Trust, to indemnify and hold harmless the City and the City designated trustees from any claim whatsoever by the SPOA, any unit member, or any beneficiary of the Receiving Trust with respect to the Receiving Trust. Such claims include, but are not limited to, (i) any claim for benefits under the Receiving Trust or any plan funded by the Receiving Trust, (ii) any claim regarding the administration of, or fiduciary duties under, the Receiving Trust, (iii) any claim regarding the tax treatment of contributions to the Receiving Trust (so long as the City complies with applicable federal law and guidance from the Internal Revenue Service), and (iv) any claim regarding the terms of the Receiving Trust or selection of trustees.

The City's obligation to contribute to the RMT has ceased. The City agrees to meet and confer at the request of the SPOA with regard to a contract amendment for employee contributions to be made to the Receiving Trust to provide medical care benefits for retirees in a manner that will make the employee contributions excluded from employee's income tax whether that means they will be by salary reduction whereby the employee forgoes salary in exchange for the contribution or salary deduction whereby the employee contribution is deducted from the employee's paycheck . No contributions will be made to the Receiving Trust until the tax consequences of such employee contributions to such Receiving Trust are resolved.

The rights of unit members to distributions and amounts of those distributions from the RMT or the Receiving Trust shall be determined under the terms of the trust plan document and Section 14.4 of the prior labor agreement except to the extent modified by this Agreement.

14.6 Life Insurance

Effective July 1, 2012, the City shall provide each employee group term life insurance coverage with a face value of fifty thousand dollars ($50,000.00).

14.7 Long Term Disability Insurance

Effective July 1, 2012, the City shall reduce the base pay of employees in this unit by twenty dollars ($20.00) per month, and instead shall provide to each bargaining unit member twenty dollars ($20.00) per month for the purpose of purchasing Long Term Disability Insurance. The Association recognizes and agrees that it is their responsibility for purchasing a Preferred Long Term Disability Program for its represented employees or otherwise investing such payments pursuant to this section as it deems appropriate.

SECTION 15. SALARY PLAN

15.1 Salary

During the term of this agreement there shall be no salary increases. Effective July 1, 2012, salaries for classifications in this unit shall be as attached in Appendix A.

15.2 Salary Ranges

The salary ranges for all classifications in the aforementioned representation unit will be as set forth in Appendix A, which are attached hereto and made a part hereof. The rates of pay set forth in the Appendix A, represent for each classification the standard rate of pay for full-time employment, effective on the dates noted in the Appendices, unless the schedule specifically indicates otherwise.

15.3 Salary Upon Appointment

Except as herein otherwise provided, the entrance salary step for a new employee entering the classified service shall be the minimum salary step for the class to which appointed. When circumstances warrant, the City Manager may approve an entrance salary, which is more than the minimum salary step for the class to which that employee is appointed. Such a salary may not be more than the maximum salary for the class to which that employee is appointed.

15.4 Salary Equivalents

Any monthly, daily or hourly rate of pay may be converted into any equivalent rate of pay or to any other time bases when in the judgment of the City Manager, such a conversion is advisable. In determining equivalent amounts on different time bases, the City shall provide tables or regulations for the calculation of payment for service of less than full-time, and for use in converting monthly salaries to hourly rates, as well as for calculating hourly rates.

15.5 Effective July 1, 2005 – Salary Step Plan – Police Officers Appointed On Or After January 1, 1999

There were nine (9) salary steps for the classification of Police Officer, however, salary steps 1, 2, and 3 for Police Officers were eliminated effective July 1, 2012. There shall be six (6) salary steps for the classification of Police Sergeant. Eligible employees will be moved to the next step every 12 months. Any reference in this MOU to a different schedule for step increase shall be adjusted accordingly. In a case where a person possesses unusual qualifications, the City

Manager may authorize appointment above the first salary step after receiving the recommendation of the department head. The same provisions shall apply to hourly-paid and part-time persons.

All step references below are to the salary schedule for the Police Officer classification. Non-Sworn Police Officer Trainees are hired at the rate identified in the single step salary classification for Police Officer Trainee.

The first salary step shall be the minimum salary rate and shall be the normal hiring rate for the classification of Police Officer.

The second salary step shall be paid upon the employee's satisfactory completion of twelve (12) months service at the first salary step and upon the written recommendation of the department head.

The third salary step shall be paid upon the employee's satisfactory completion of twelve (12) months service at the second salary step and upon the written recommendation of the department head.

The fourth salary step shall be paid upon the employee's satisfactory completion of twelve (12) months service at the third salary step and upon the written recommendation of the department head.

The fifth salary step shall be paid upon the employee's satisfactory completion of twelve (12) months service at the fourth salary step and upon the recommendation of the department head.

The sixth salary step shall be paid upon the employee's satisfactory completion of one (1) year of service at the fifth salary step and upon the recommendation of the department head.

Regardless of an employee's length of service, salary step advancements in any given class may be made upon recommendation of the department head with the approval of the City Manager, but not above Step 3 for a given range.

Salary step increases shall be effective the first day of the pay period following appointment or revision. If the date of appointment or revision is the first day of a pay period, salary step increases shall be as of that date.

If a department head recommends to withhold salary increases because an employee has not achieved the level of performance required to the position, the recommendation of notice must be received by the City Manager at least four (4) weeks in advance of the employee's eligibility date. The affected employee shall be furnished a copy of the department head's recommendation.

Changes in an employee's salary because of promotion, demotion, postponement of salary step increase or special merit increase will set a new salary anniversary date for that employee, which date shall be as stated in the preceding paragraph.

Salary range adjustments for the classification will not set a new salary anniversary date for employees serving in that classification.

15.6 Salary Step Plan – Non-Sworn Police Officer Trainee Status

An employee with only the status of Non-Sworn Police Officer Trainee shall be paid at Step 1 of the salary range. Upon passing all the requirements of the Basic Peace Officer Academy and transfer to the sworn position of Police Officer, the employee shall be paid at Step 2 of the salary range of Police Officer. The Trainee shall not qualify for Safety status while in the Academy.

15.7 Salary Step After Military Leave

All employees who have been granted a military leave shall, upon their return to the City service, are entitled to the automatic salary advancements within the range scale of the established wage schedule of their classifications for the period they were in the military service.

15.8 Salary Step When Salary Range Is Increased

Whenever the monthly schedule of compensation for a class is revised, each incumbent in a position to which the revised schedule applies shall be entitled to the step in the revised range which corresponds to the employee's step held in the previous range, unless otherwise specifically provided by the City Manager.

15.9 Salary Step After Promotion or Demotion

When an employee is promoted from a position in one class to a position in a higher class, and at the time of promotion is receiving a salary equal to, or greater than, the minimum rate for the higher class, that employee shall be entitled to the next step in the salary scale of the higher class which is approximately five percent (5%) but in no case less than four percent (4%) above the rate he has been receiving, except that the next step shall not exceed the maximum salary of the higher class. When an employee is demoted, whether such demotion is voluntary or otherwise, that employee's compensation shall be adjusted to the salary prescribed for the class to which he is demoted, and the specific rate of pay within the range shall be final.

15.10 Salary On Reinstatement

If a former employee is reinstated in the same position previously held or to one carrying a similar salary range, his salary shall not be higher than his salary at the time of his separation unless there has been an increase within the salary range.

SECTION 16. RESIDENCY

All sworn public safety officers in the employ of the City of Stockton shall reside within a geographic area from which they can reach City Hall within forty-five (45) minutes.

SECTION 17. SEVERABILITY OF PROVISIONS

In the event that any provision of the Memorandum of Understanding is declared by a court of competent jurisdiction to be illegal or unenforceable, that provision of the Memorandum of Understanding shall be null and void but such nullification shall not affect any other provisions of this Memorandum of Understanding, all of which other provisions shall remain in full force and effect.

SECTION 18. PAST PRACTICES AND EXISTING MEMORANDUA OF UNDERSTANDING

Continuance of working conditions and practices not specifically authorized by ordinance or by resolution of the City Council is not guaranteed by this Memorandum of Understanding.

This Memorandum of Understanding shall supersede all existing Memoranda of Understanding between the City and the Association.

SECTION 19. SCOPE OF AGREEMENT

Except as otherwise specifically provided herein this Memorandum of Understanding fully and completely incorporates the understanding of the parties hereto and constitutes the sole and entire agreement between the parties on any and all matters subject to meeting and conferring. Neither party shall, during the term of this Memorandum of Understanding, demand any change therein nor shall either party be required to negotiate with respect to any matter; provided that nothing herein shall prohibit the parties from changing the terms of this Memorandum of Understanding by mutual agreement.

SECTION 20. DURATION

All provisions of this Memorandum of Understanding shall be effective July 1, 2012, and shall remain in full force and effect to and including the 30th day of June, 2014.

SECTION 21. MAINTENANCE OF OPERATIONS

(a) It is recognized that the need for continued and uninterrupted operation of City services is of paramount importance. Therefore, the Association and each employee represented hereby agrees that during the course of negotiations necessary to conclude a successor Agreement to this Memorandum of Understanding, the Association or any person acting in its behalf, or each employee in a classification represented by the Association shall not cause, authorize, engage in, or sanction a work stoppage, slowdown, refusal of overtime work, refusal to operate designated equipment (provided such equipment is safe and sound), or picketing, other than informational picketing, against the City or the individual or concerted failure to report for duty or abstinence from the full and faithful performance of the duties of employment, including compliance with the request of another labor organization or bargaining unit to engage in such activity in an attempt to induce a change in wages, hours, and other terms and conditions of employment.

(b) An employee shall not be entitled to any wages or City paid benefits whatsoever if the City Council, by majority vote, determines to its satisfaction, that the employee is, or has, engaged in any activity prohibited by subsection (a) of this Section. The City may take other action which it deems appropriate.

(c) If the City Council, by majority vote, determines to its satisfaction, that subsection (a) of this Section has been violated by the Association, the City may take such remedial action as it deems appropriate.

(d) The Association recognizes the duty and obligation of its representatives and members to comply with the provisions of this Memorandum of Understanding and to make every effort toward inducing all employees in this unit to fully and faithfully perform their duties. In the event of any activity prohibited by subsection (a) hereinabove, the Association agrees to take supererogatory steps necessary to assure compliance with this Memorandum of Understanding.

SECTION 22. CITY RIGHTS

(a) The Association recognizes that the rights of the City derive from the Constitution of the State of California and the Government Code and not from the Memorandum of Understanding. All matters not specifically addressed in this Memorandum of Understanding are reserved to the City.

(b) The Association recognizes and agrees that the exercise of the express and implied powers, rights, duties and responsibilities by the City, such as, the adoption of policies, rules, regulations and practices, and the use of judgment and discretion in connection therewith shall be limited only by the specific and express terms of this Memorandum of Understanding.

(c) The Association recognizes that the City has and will continue to retain, whether exercised or not, the unilateral and exclusive right to operate, administer and manage its municipal services and work force performing these services limited only by the specific and express terms of this Memorandum of Understanding. The exclusive rights of the City shall include but not be limited to, the right to determine the organization of City government and the mission of its constituent agencies; to determine the nature, quantity and quality of services to be offered to the public and to determine the means of operations, the materials and personnel to be used, the right to introduce new or improved methods or facilities, and to change or alter personnel, methods, means, materials and facilities, to exercise control and discretion over its organization and operations through its managerial employees; to establish and effect rules and regulations consistent with applicable law and the specific and express provisions of this Memorandum of Understanding; to establish and implement standards of selecting City personnel and standards for continued employment with the City; to direct to workforce by determining the work to be performed, the personnel who shall perform the work, assigning overtime and scheduling the work; to take disciplinary action; to relieve its employees from duty because of lack of work or funds; to determine whether goods or services shall be made, purchased or contracted for; and to otherwise act in the interest of efficient service to the community.

In cases of emergency when the City determines that an ordinance, rule, resolution or regulation must be adopted immediately without prior notice or meeting with a recognized employee organization, the City shall provide such notice and opportunity to meet at the earliest practicable time following the adoption of such ordinance, rule, resolution or regulation.

SECTION 23. CONDITIONAL AGREEMENT RE PLAN SUPPORT AND TREATMENT OF CLAIMS

1. Confirmation of Plan. The City agrees to use its best efforts to obtain confirmation of, and to implement, a plan of adjustment ("Plan") that is consistent with the terms of this MOU, or as applicable, its successor MOU. All of the provisions of this Article except 2(c) shall be null and void in the event that the Plan contemplated by this Agreement is not confirmed and does not become effective.

2. SPOA's Claims. SPOA alleges that its members have claims in the bankruptcy case against the City relating to the City's modification of its 2009 Memorandum of Understanding ("2009 MOU"), pursuant to Declarations of Fiscal Emergency beginning on or about May 26, 2010 and continuing in effect thereafter, and in connection with the treatment of the claims of SPOA and its members under the Pendency Plan (collectively, the "Claims"), and that, in the aggregate, the Claims exceed thirteen million dollars ($13,000,000). The City disputes the Claims and contends that the Claims would not be allowed in the chapter 9 case. It further asserts that, if the Claims were allowed, they would be allowed in an amount aggregating less than thirteen million dollars ($13,000,000).

In consideration of resolving the above differences and agreement on the MOU, the City agrees that the Claims shall be provided for in the Plan as follows:

(a) The Claims will be deemed allowed in the chapter 9 case in the aggregate amount of eight million, five hundred thousand dollars ($8,500,000) (the "Allowed Claims"). In consideration for the reduction in the amount of the Claims, SPOA members employed during fiscal year 2010-2011 and/or 2011-2012 shall be credited , upon final approval of the MOU by the Parties and, if necessary, by the Bankruptcy Court, twenty-two (22) additional hours of paid leave in fiscal year 2012-2013. These additional hours of paid leave shall have no cash value and shall be utilized any time prior to the date upon which the SPOA member leaves employment with the City. Only those employees who were employed during some portion of the period July 1, 2010 and July 1, 2012 and who were still current employees upon the effective date of this Agreement shall be entitled to this treatment.

(b) The Allowed Claims shall be satisfied under the Plan by the City by crediting SPOA members employed during fiscal year 2010-2011 and/or 2011-2012, eleven (11) additional paid leave hours in the fiscal year of approval of the Plan and eleven (11) additional paid leave hours in the fiscal year after approval of the Plan. This benefit shall only apply to those employees who were employed during some portion of the period July 1, 2010 and July 1, 2012 and who are current employees as of the date the Plan is approved by the Bankruptcy Court. The total additional paid leave per SPOA member under paragraphs 2(a) and 2(b) of this article shall equal forty-four (44) hours. These additional paid leave hours shall have no cash value, and shall be utilized any time prior to the date upon which the SPOA member leaves employment with the City. It is understood that the provision of these hours shall be the sole compensation for the Claims of SPOA and its members. The additional twenty-two (22) hours additional paid leave credit contained in this paragraph 2(b) shall be contingent upon confirmation of the Plan and on the Plan becoming effective.

(c) Notwithstanding the foregoing, in the event that the Plan is not confirmed and does not become effective, the Claims shall not be allowed as specified herein, and both SPOA and the City agree that the Claims will be considered unresolved, with each Party reserving the right to assert or contest the Claims; provided, however, that the monetary equivalent of any paid leave hours taken pursuant to this Article shall serve as a credit against the Claims.

3. Implementation of 2012-2014 SPOA MOU. The City shall include in its proposed Plan provisions that give effect to, and comport with the terms of this Agreement.

4. Plan Support. SPOA agrees to use its best efforts to support the Plan, the provisions of which include the treatment of the Claims as described above, and which are consistent with the terms of the MOU. SPOA's support for the Plan shall include statements in papers filed in the Bankruptcy Court and in appearances by its counsel in Bankruptcy Court. SPOA shall use its best efforts to cause its members to vote to approve the Plan, to withdraw any proofs of claim they have filed which are inconsistent with the MOU and not object to, or otherwise commence any proceeding against, or take any other action opposing any of the terms of the MOU, the Plan or any disclosure statement filed in connection with the Plan. At the City's request, such support may also include the execution by SPOA of an agreement to recommend that its members vote in favor of the Plan.

5. Further Assurances. The Parties agree to execute and deliver such other instruments and perform such acts, in addition to the matters herein specified, as may be reasonably appropriate or necessary, from time to time, to effectuate the agreements and understandings of the Parties, whether the same occurs before or after the date of this Agreement.

6. Release of Claims. Except for the Parties' respective obligations stated in the MOU, SPOA, on behalf of all employees in its bargaining unit, and the City hereby release and discharge each other, and their respective past or present parents, subsidiaries, successors, predecessors, assigns, and their respective officers, directors,

employees, agents, attorneys, and each of them, from and against any and all defenses, claims, demands, losses, damages, and causes of action of whatever kind or nature, whether known or unknown, suspected or unsuspected, which either of them may now or hereafter have against the other in any way related to the Claims and or Litigation Claims (as such term is defined below). This release shall include, but is not limited to, within thirty days of approval of the Plan, dismissing with prejudice litigation and cross litigation claims ("Litigation Claims") pertaining to San Joaquin County Superior Court case number 39-2010-00245197-CU-WM-STK, San Joaquin Superior Court Case number 39-2010-00253803 and Third Appellate District appellate case numbers C070347 and C068723. These cases shall remain stayed until the occurrence of the effective date of the Plan or the dismissal of the chapter 9 case. The Parties agree to waive any and all claims for attorneys' fees or costs associated with the Litigation Claims.

The Parties, and each of them, hereby waive the provisions of Section 1542 of the California Civil Code, which reads as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his settlement with the debtor.

The Parties, and each of them, understand that if the facts with respect to which this release is given turn out to be different from the facts now known or believed by either of them to be true, each of them expressly assumes the risk of the facts turning out to be different, and agrees that this release shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

This release shall be binding upon and inure to the benefit of the Parties and their respective past or present parents, subsidiaries, successors, predecessors, assigns, and their respective officers, directors, employees, agents, attorneys, including but not limited to all bargaining unit employees, and each of them.

This release shall not apply to any pending disciplinary cases, or grievances pertaining to those disciplinary cases, but shall apply to any lawsuits filed related to those disciplinary cases.

7. Resolution of Dispute regarding the Property at 1132 N. Country Club Rd., Stockton, CA ("the Property"). SPOA shall continue renting the Property to third parties. No SPOA member, family member, agent or person within SPOA's control shall apply to rent the Property.

a) In renting the Property, SPOA shall utilize a licensed third party rental agent not affiliated with SPOA or its agents.

b) SPOA shall sell the Property not later than November 1, 2015, unless this provision is waived in writing by the City.

c) The Property shall be maintained in its present state and SPOA shall exercise its best efforts to ensure that its tenants not interfere with the City Manager's quiet enjoyment of his home.

d) SPOA shall not seek to change the use of the Property as a single family residence (maximum two unrelated adults, or two adults and two children).

e) Notwithstanding the effective date and expiration date of the MOU, this section 7(a) shall be effective November 1, 2012, and shall apply to the SPOA's current efforts to lease the Property. It shall expire upon the sale of the Property, unless otherwise agreed by the Parties.

8. No Admissions. Except to acknowledge responsibility to perform the terms of this Article or to enforce those terms, the Parties agree that nothing contained in this Article or any action taken or the failure to take any action pursuant to this Article ever is to be construed as an admission or evidence tending to establish the validity of either Party's claims, including the initial Claims.

9. Rules of Construction. The Parties agree that any rule of construction to the effect that ambiguities are resolved against the drafting party shall not apply to the interpretation of this Article, since both Parties have reviewed it with counsel of their respective choice. Otherwise, this Article shall be governed by and interpreted in accordance with the law of the State of California and the Bankruptcy Code.

SECTION 24. CONCLUSIVENESS

(a) The specific provisions contained in this Agreement constitute the entire and sole agreement between the City and the Association and shall prevail over existing City ordinances, resolutions, rules and regulations, policies, procedures and practices wherever there is a direct conflict between previous written policies and practices and a specifically contradictory term of this Agreement. Existing written policies, rules, regulations, ordinances and resolutions shall be amended to conform to the terms of this Agreement. Only those policies and practices directly and expressly revised by this Agreement shall be deemed to be modified by this Agreement.

(b) All matters not addressed specifically and expressly by this Agreement are, and shall continue to be, within the exclusive decision-making authority of the City and shall not be in any way, directly or indirectly, subject to any grievance procedure.

(c) This Agreement may be altered, changed, added to, deleted from, or modified only through the voluntary consent of the City and the Association in a written and signed amendment to this Agreement.

APPENDIX A. SALARY SCHEDULE

Job Classification	Salary Steps					
	1	2	3	4	5	6
Police Officer	4,970.39	5,225.81	5,494.96	5,776.54	6,074.37	6,385.88
Police Officer Recruit	4,275.10					
Police Officer Trainee	4,275.10					
Police Sergeant	5,876.26	6,179.04	6,495.54	6,829.48	7,180.86	7,549.69

APPENDIX B. CITY OF STOCKTON MODIFIED EMPLOYEES MEDICAL PLAN WITH MEDICAL PLAN CHANGES EFFECTIVE SEPTEMBER 1, 2011

Plan Feature	Coverage Amount	
	When Provided by a Participating Provider	**When Provided by a Non- Participating**
Calendar year deductible *(only Allowable Charges for Covered Services in Article 3 of this document can be applied toward the deductible)*	\$500 per person; \$1,500 maximum per family	\$1,500 per person; \$3,000 maximum per family
Calendar year out-of-pocket maximum on Allowable Charges *(only Allowable Charges for Covered Services in Article 3 of this document can be applied toward the out-of-pocket maximum))*	\$5,000 per person; \$10,000 maximum per family	None
Overall lifetime maximum benefit	None	None
Hospital		
Inpatient confinement	80% of Allowable Charges after a copayment of \$75 per	50% of Allowable Charges after a copayment of \$200 per
Outpatient department	80% of Allowable Charges	50% of Allowable Charges
Emergency room	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an Emergency did not exist (refer to Article 1 for the Plan's definition of	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an Emergency did not exist (refer to Article 1 for the Plan's definition of Emergency)
Skilled Nursing Facility	80% of Allowable Charges after a copayment of \$75 per	50% of Allowable Charges after a copayment of \$200 per

Outpatient therapy *(physical, respiratory, cardiac & speech)*	80% of Allowable Charges	50% of Allowable Charges
Home health care	80% of Allowable Charges	Not covered
Hospice care	80% of Allowable Charges	Not covered

Plan Feature	Coverage Amount	
	When Provided by a Participating Provider	**When Provided by a Non- Participating**
Mental or nervous disorder		
Inpatient confinement	80% of Allowable Charges after a copayment of $75 per	50% of Allowable Charges after a copayment of $200 per
Outpatient services	80% of Allowable Charges	50% of Allowable Charges
Substance abuse treatment		
Inpatient confinement	80% of Allowable Charges after a copayment of $75 per	50% of Allowable Charges after a copayment of $200 per
Outpatient services	80% of Allowable Charges	50% of Allowable Charges
Outpatient diagnostic radiology &	80% of Allowable Charges	50% of Allowable Charges
Radiation therapy, chemotherapy & dialysis treatment	80% of Allowable Charges	50% of Allowable Charges
Physician services		
Office & hospital visits	80% of Allowable Charges	50% of Allowable Charges
Emergency room care	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an Emergency did not exist (refer to Article 1 for the	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an Emergency did not exist (refer to Article 1 for the Plan's definition of
Surgery	80% of Allowable Charges	50% of Allowable Charges
Anesthesia and its administration	80% of Allowable Charges	50% of Allowable Charges

Preventive Care *(physical exam, screenings, tests & immunizations as recommended by certain government agencies – refer to the definition of Preventive Care Services in Article 1)*	Not subject to the calendar year deductible; 100% of Allowable Charges	Calendar year deductible applies; 50% of Allowable Charges
Dental treatment	Not covered except 80% of Allowable Charges for treatment of Accidental Injury to natural teeth	Not covered except for 50% of Allowable Charges for treatment of Accidental Injury to natural teeth
Chiropractic services	80% of Allowable Charges	50% of Allowable Charges
Pregnancy & childbirth *(dependent children are not covered by this benefit)*	Covered on the same basis as an illness	Covered on the same basis as an illness
Infertility	80% of Allowable Charges	50% of Allowable Charges
Organ & tissue transplants	Payable on the same basis as any other illness	Payable on the same basis as any other illness
Ambulance service	80% of Allowable Charges	50% of Allowable Charges
Prosthetics & orthotics	80% of Allowable Charges	50% of Allowable Charges
Durable medical equipment	80% of Allowable Charges	50% of Allowable Charges
Hearing aids	No Coverage	No Coverage
Prescription Drug Program *(no calendar year deductible applies)*	**When Dispensed at a Participating Pharmacy**	**When Dispensed at a Non- Participating Pharmacy**
Retail pharmacy *(30 day supply limit)*	$10 copayment for a generic drug; $35 copayment for a non-generic formulary drug; no coverage for non-formulary drugs	Not covered

Mail service pharmacy *(90 day supply limit)*	$20 copayment for a generic drug; $70 copayment for a non-generic formulary drug; no coverage for non-formulary drugs	Not covered

APPENDIX C. UNION PROPOSAL TO ASSUME ADMINISTRATION OF CITY MEDICAL PLANS (AGREEMENT BETWEEN THE CITY OF STOCKTON AND THE EMPLOYEE COALITION REPRESENTING ALL CITY UNIONS INCLUDING THE SPOA)

City Counter Proposal Regarding Union Assumption of Medical Plans

The City is supportive in concept of the unions taking over responsibility for providing medical insurance plan, and pledges its full cooperation in providing the necessary data to permit the Unions to assess the viability of such a plan. Acceptance of the plan by the City shall be subject to the following terms and conditions:

1. Such plan would not be City sponsored and the City would not have any responsibility for such plan including administration of the plan and client services, and unions/vendor will hold city harmless for any actions taken by vendor or union in its management of their plans. The City will pay its contributions for employee insurance coverage as set forth in individual MOUs and remit them to the plan administrator per any administrative agreement. City will process employee's deductions and remit to vendor and such costs of providing this service is part of administrative expense to be paid by union per any agreement as described in #11 below.

2. Plan participants to pay all administrative costs of the plan, including HR support and computer/data transfer/integration.

3. Such plan would include all city employees and eligible retirees. All plan enrollees would have same benefits, plan choices, eligibility, access to the network and premium costs and be treated in the same manner . The only exception would be for over age 65 retirees where plan benefits would be integrated with Medicare.

4. The plan would be fully insured, such that all risks would be borne by the insuring company without the possibility of underfunding the benefit

5. The Unions will not propose CalPERS medical plans.

6. Implementation shall be by January 1, 2013, provided the Unions provide at least 90 days notice to the City.

7. The City will pay all run out claims from the Modified and Original medical plans with respect to any claim incurred prior to January 1, 2013, regardless of when the claim is paid The City shall make all reasonable efforts to insure that all

claims received are processed timely during the claims run out period. If any funds remain in the ISF fund, the parties will meet to discuss the status of the funds.

8. It is understood that the union plans would stay in effect for at least five years, and the Unions will give the City at least 1 year's notice if they intend to terminate this arrangement. The City may only terminate the agreement with good cause regarding the failure of the plan to provide agreed upon benefits, and with evidence of continuing coverage for affected employees and retirees in the succeeding City sponsored plans. The City makes no commitment to any future arrangement of City administered medical insurance should the union plans be discontinued by the union's actions.

9. The City retains the right to terminate the sponsorship by the unions of any health plan as a result of any legislation that would require the City to provide plans to its employees or pay penalties in lieu of providing such plans, for example, as under the Affordable Care Act or any additional or successor legislation

10. Existing limits on City contributions to medical/dental/vision (agreed or imposed) remain unchanged.

11. It is understood that once the unions obtain quotes for coverage, the parties will meet and confer regarding significant issues regarding the implementation and viability of such plan, including, but not limited to the following:

- Coverage of "tail" claims; Fully fund all reserves for Incurred but Not Reported and Pended Claims
- Calculation and method of paying administrative costs;
- Hold harmless to City for any actions taken by vendor/union coalition;
- Union plan may discontinue Original Plan benefits for retirees.

The City retains the right to accept or reject any union proposals on a union sponsored plan(s) during meet and confer following union receipt of bids, based upon financial, operational, legal or coverage concerns.

STOCKTON POLICE OFFICERS ASSOCIATION (SPOA) SUCCESSOR MOU
Term: July 1, 2012 – June 30, 2014

IN WITNESS WHEREOF this Memorandum of Understanding was ratified by a membership vote of the Association on _________, 2012 and by an affirmative vote of the Stockton City Council on _____________, 2012. The SPOA and the City of Stockton have hereto executed this Memorandum of Understanding this ____day of ______, 2012.

For the City of Stockton:..............................For the Stockton Police Officers Association

__________________________....................______________________________

__________________________....................______________________________

__________________________....................______________________________

__________________________....................______________________________

Attachment B

November 20, 2012

MEMORANDUM OF UNDERSTANDING BETWEEN THE STOCKTON POLICE OFFICERS ASSOCIATION AND CITY OF STOCKTON

TERM: July 1, 2012 – June 30, 2014

This agreement (the "Agreement" or "MOU") is made and entered into as of November __, 2012 by and among the City of Stockton, California (the "City" or "Stockton) and the Stockton Police Officers Association ("SPOA"), sometimes collectively referred to as the "Parties."

INTRODUCTION

A. The Parties have been in negotiation over the terms of a successor to the parties' prior MOU that expired June 30, 2012 as well as the treatment of the claims of members of the SPOA in bankruptcy that arose as a result of the City's imposition of compensation reductions during the term of the prior MOU.

B. Beginning on March 27, 2012, the City commenced the "AB 506 process" in order to avoid and, if necessary, to qualify for, a chapter 9 bankruptcy filing. The initial phase of the AB 506 process lasted 60 days, as mandated by statute. Cal. Gov't Code § 53760.3(r). Upon the agreement of the majority of the City's creditors who participated, the AB 506 mediation process was extended by an additional 30 days. Cal. Gov't Code § 53760.3(r). Despite good faith efforts by the City and the interested parties, when the AB 506 process concluded on June 25, 2012, the City had not "resolved all pending disputes with creditors." Cal. Gov't Code § 53760.3.

C. During the AB 506 process, the City presented to all the interested parties a 790-page "ask" ("Ask"), which contained specific proposals relating to each participant as well as to other creditors that chose not to participate. The Ask was similar to a plan of adjustment in that it disclosed to all creditors how the City viewed the claims of each and the likely resolution of such claims in a proposed bankruptcy plan of adjustment. Although no settlement was reached, the AB 506 process used the Ask as a baseline for negotiations, and the Ask functioned in part as a de facto draft plan of adjustment that described to all major creditors the treatment of the individual claims.

D. On June 26, 2012, the City Council adopted a "Pendency Plan" budget ("Pendency Plan"), which was based upon the detailed provisions of the Ask.

E. The City filed a chapter 9 bankruptcy petition on June 28, 2012. By order dated July 11, 2012, the Bankruptcy Court appointed the Honorable Judge Elizabeth Perris ("Judge Perris") to serve as judicial mediator in the chapter 9 case. The Parties conducted four days of mediation with Judge Perris, ending on November 2, 2012. The Parties used the Pendency Plan as a starting point for negotiations to create a new 2012-2014 Memorandum of Understanding. During this successful mediation process, the Parties continued earlier extensive efforts at settling disputes between them, both in the AB 506 process, and in extensive parallel negotiations relating to the SPOA's collective bargaining agreement(s) with the City, and reached a settlement covering all disputes.

SECTION 1. RECOGNITION

1.1 City Recognition

The City Manager or any person or organization duly authorized by the City Manager, is the representative of the City of Stockton, hereinafter referred to as the "City" in employer-employee relations as provided in Resolution No. 32,538, adopted by the City Council on August 4, 1975.

1.2 Association Recognition

The Stockton Police Officers' Association, hereinafter referred to as the "Association" is the recognized employee organization for the Police Officers' Unit, certified pursuant to Resolution No. 32,548, adopted by the City Council on August 11, 1975.

SECTION 2. ASSOCIATION SECURITY

2.1 Dues Deduction

(a) General. The Association may have the regular dues of its members within the representation unit deducted from employees' paychecks under procedures prescribed by the City for such deductions. The Association has the exclusive privilege of dues deduction for its members.

Payroll deductions shall be for a specified amount and consistent for all employee members of the Association, and shall not include fines, fees and/or assessments.

Authorization, cancellation or modification of payroll deduction shall be made upon forms provided or approved by the City. The payroll deduction authorization shall remain in effect until canceled or modified by the employee by written notice to the City or until the first day of the calendar month following the transfer of the employee to a unit represented by another employee organization as the representative of the unit to which the employee is assigned, or until employment with the City is terminated.

Amounts deducted and withheld by the City shall be transmitted to the officer designated in writing by the Association as the person authorized to receive such funds, at the address specified.

In addition to the deduction of dues, the City will deduct from the paychecks of Association members who request it, deductions authorized and sponsored by the Association. Such deductions shall be made from either or both of the semi-monthly paychecks and only upon signed authorization from the employee upon a form satisfactory to the City. Such authorizations may be made or changed no more frequently than twice yearly. Such deductions shall be payable to the Association who is responsible for distribution to sponsored programs. The employee's earnings must be sufficient after all other required deductions are made, to cover the amount of the deductions herein authorized. When an employee is in a non-pay status for an entire pay period, no withholdings will be made to cover that pay period from future earnings nor will the employee deposit the amount with the City which would have been withheld if the employee had been in pay status during the period. In the case of an employee who is in a non-pay status during a part of the period, and the salary is not sufficient to cover the full withholding, no deduction shall be made. In this connection, all other required deductions have priority over the employee organization deduction.

(b) Indemnity and Refund. The Association shall indemnify, defend and hold the City harmless against any claim made and against any suit initiated against the City on account of check off of Association dues or premiums for benefits. In addition, the Association shall refund to the City any amounts paid to it in error upon presentation of supporting evidence.

2.2 Use of City Facilities

(a) The Association shall be allowed by the City department in which it represents employees' use of space on available bulletin boards for communications having to do with official Association business, such as times and places of meetings, provided such use does not interfere with the needs of the department.

(b) Any representative of the Association shall give notice to the department head or his**/her** designated representative when contacting department employees on City facilities during the duty period of the employees, provided that solicitation for membership or other internal Association business shall be conducted during the non-duty hours of all employees concerned. Prearrangement for routine contact may be made with ~~individual department heads~~ **the Police Chief** and when made shall continue until revoked by the **Chief** ~~department head~~.

(c) City buildings and other facilities may be made available for use by City employees of the Association or their representatives in accordance with such administrative procedures as may be established by the City Manager or department heads concerned.

2.3 Attendance at Meetings by Employees/~~Release Time Bank~~/Association Release Time

(a) ~~Attendance at Meetings by Employees~~ **Release Time Related to Meet and Confer.** City employees who are official representatives ~~or unit representatives~~ of the Association shall be given reasonable time off with pay**, in accordance with MMBA,** to attend meetings with City management representatives, or be present at ~~City~~ **administrative** hearings where matters within the scope of representation or grievances **related to this unit** are being considered.

The use of ~~official~~ **release** time for this purpose shall be reasonable and shall not interfere with the performance of City services as determined by the City. Such employee representatives shall submit a request for excused absence to their department head, in a manner satisfactory prior to the scheduled meeting whenever possible. The number of employees excused for **release time related to meeting with City management on**

meet and confer and grievance matters ~~such purposes~~ shall not exceed five (5)**, except by mutual agreement.**

~~(b) Release Time Bank. For release time not covered under Section 2.3 (a), employees may voluntarily donate any or all of their compensatory time balance to an hours bank reserved for use by Association elected officers, board members, and/or designated Association members for release time. Release time must be approved, in advance, by the employee's supervisor, but charged to the hour's bank than the employee's leave balance.~~

~~(c) Indemnity. The Association shall indemnify, defend, and hold the City harmless against any claim made and against any suit initiated against the City on account of the release time bank.~~

~~(d) Association Release Time. The City shall allocate to the Association a minimum of four hundred (400) hours each year for the purpose of disbursing release time to official representatives or unit representatives of the Association to attend Association business not normally covered under this section, such as seminars, conferences, and training. The Association shall manage and monitor the distribution of Association Release Time, which is not to exceed a total of four hundred (400) hours each year.~~

~~The Association shall notify the City, in writing, the specific purpose of Association Release Time for official representatives or unit representatives and the hours of annual leave expended. The release time must be approved in advance.~~

~~The Association shall submit a cashier check to the City in the amount equal to the Association representative's hourly rate of pay, multiplied by the annual leave hours expended for Association business. The City, upon receipt of cashier check, shall reimburse the Association representative's annual leave balance expended for Association business in the form of hours.~~

SECTION 3. COMPLIANCE WITH LOCAL, STATE & FEDERAL LAWS

3.1 ~~The City and the Association agree that there shall be no discrimination of any kind because of race, creed, color, religion, national origin, sex, political affiliation or legitimate Association activity against any employee or applicant for employment, and to the extent prohibited by applicable State and Federal law there shall be no discrimination because of age.~~

The City and the Association agree that there shall be no discrimination of any kind against any employee or applicant for employment because of age (over 40), race, color, religion, national origin (ancestry), veterans status, physical or mental disability, marital status, sexual orientation, sex (sexual, gender based, pregnancy/childbirth), political affiliation, legitimate Association activity, or any other protected trait as determined by federal, state and/or local law.

3.2 The Association shall cooperate with the City in the objectives of **Equal Employment Opportunities** ~~Affirmative Action~~ as required by law.

3.3 Fair Labor Standards Act. The Association shall cooperate with the City in the objectives of the Fair Labor Standards Act.

SECTION 4. PROBATIONARY PERIOD

4.1 Purpose

The probationary period shall be utilized for closely observing the employee's work, for securing the most effective adjustment of a new employee to his**/her** position, and for eliminating any probationary employee whose performance does not meet the required standards of work.

4.2 Original Entrance Positions

The City agrees that it shall adhere to all applicable City Ordinances, State and Federal laws relating to the employment of Police Officers, including standards established by the Peace Officers' Standards and Training Division of the California Department of Justice.

All original entrance positions shall be tentative and subject to a probationary period of eighteen (18) months. The probationary period for entrance positions shall not be extended.

4.3 Promotional Positions

All promotional police appointments shall be ~~tentative and~~ subject to a probationary period of twelve (12) months. The probationary period for police promotional positions shall not be extended.

4.4 Retention/Rejection of Probationer

The Director of Human Resources shall notify the appointing authority at least four (4) weeks prior to the termination of any probationary period. At the end of the probationary period, if the service of the probationary employee has been satisfactory to the appointing authority, then the appointing authority shall file with the Director of Human Resources a statement in writing to such effect and stating that the retention of such employee in the service is desired.

During the probationary period an employee may be rejected at any time by the appointing authority. Any employee rejected during the probationary period following a promotional appointment, shall be reinstated to the position from which he**/she** was promoted unless charges are filed and he**/she** is discharged in the manner provided in the City Charter Article XXXII Section 9, Civil Service Ordinance and Civil Service Rules.

4.5 Probationer Advanced To Higher Rank

Any promotional probationary police employee who is advanced to a higher classification or is appointed to the rank of Chief of Police or Deputy Chief of Police shall receive credit towards his promotional probationary period for the lower rank while serving in the higher probationary or appointive rank.

SECTION 5. LAYOFF

5.1 Layoff

Any employee may be laid off by an appointing authority in the event of the abolition of his position by the City Council, or if a shortage of work or funds requires a reduction in personnel.

5.2 Layoff Scope

(a) Layoffs shall be within departments of the City.

(b) The departments of the City are defined as follows:

(1) Administrative Services
(2) City Attorney
(3) City Auditor
(4) City Clerk
(5) City Manager
(6) Community Development
(7) Fire
(8) Housing and Redevelopment
(9) Human Resources
(10) Library Services
(11) Municipal Utilities
(12) Parks and Recreation
(13) Police
(14) Public Works

5.3 Notice of Layoff

The City will give advance written notice of at least one pay period to employees who will be laid off.

5.4 Precedence by Employment Status

No permanent employee shall be laid off while employees working in an extra help, seasonal, temporary, provisional, or probationary status are retained in the same classification as such permanent employee. The order of layoff among employees not having permanent status shall be according to the following categories:

a. Extra help or seasonal
b. Provisional
c. Temporary
d. Probationary

Layoffs shall be by job classification according to service in that class, except as specified above. For the purpose of this procedure, part-time classes shall be considered as separate from regular full-time classes.

The following provisions shall apply in computing total continuous service:

(a) Time spent on military leave shall count as service in the event the leave was taken subsequent to entry in the department.

(b) Time worked in an extra help, seasonal, provisional, temporary, grant or other limited term status shall not count as service.

(c) Time worked in a permanent or probationary status shall count as service.

If two (2) or more employees have the same seniority, **the order of seniority shall be determined by the employees' examination results and ranking on the same eligibility list upon which the employees' were subsequently hired.** ~~most recent performance evaluation shall determine seniority.~~

5.5 Employee Options

Employees laid off shall have any of the following choices:

(a) Displacing the employee in the same department and in the same or clearly comparable classification as determined by the Director of Human Resources as having the least seniority in that classification. This option shall be exercised before any other option.

(b) Taking a voluntary demotion within the department to a classification in which the employee had prior permanent status, thus displacing the employee working in that classification who has the least seniority in that classification. The voluntary demotee's seniority in the classification to which demoted shall be determined by the demotee's dates of hire in the lower classification.

SECTION 6. REEMPLOYMENT/REINSTATEMENT

6.1 Reemployment

When an employee in the classified service who has been performing his duties in a satisfactory manner, as shown by the records of the department in which he has been employed, is laid off because of lack of funds or abolition of his**/her** position or has been on authorized leave of absence and is ready to report for duty when a position is open, the Commission shall cause the name of such employee to be placed on reemployment list for the appropriate class for reemployment ~~within two (2) years thereafter when vacancies occur~~ consistent with Civil Service Rule VII Certification and Appointment pertaining to Police safety positions, currently in effect.
The order in which names shall be placed on the reemployment list for any class shall be by seniority, which means "last-laid off, first rehired".

In filling vacancies, eligibles on the reemployment lists take precedence over eligibles on any other list for the same rank in the department for which the lists apply.

6.2 Reinstatement on a Reemployment List

A permanent employee who has resigned in good standing may, with the recommendation of the **Police C**~~c~~hief ~~of his department~~, the City Manager, and the ~~consent~~ **approval** of the Civil Service Commission, be restored to a reemployment list of the same class**ification upon as held upon resignation** ~~as his/her previous position~~ within a period of one (1) year from the effective date of his**/her** resignation.

SECTION 7. DISCIPLINE

Disciplinary action, including discharge, suspension, reduction in pay, demotion, or other employment penalty may be taken against any employee for cause.

The appointing authority may discharge, suspend or demote any employee in the classified service provided the City Charter provisions and the Rules and Regulations of the Civil Service Commission and any applicable provisions of law are followed. Such provisions allow the employee suspended, demoted or discharged to file an appeal to the Civil Service Commission. The employee may take any one (1) of the following actions:

(a) File no appeal.

(b) File an appeal with the Civil Service Commission within ten (10) business days of written notification of the action. (Such filing will foreclose use of the grievance procedure.)

(c) File a grievance as provided for in Section 8 <u>starting at step two (2) with the Director of Human resources</u> within ten (10) business days of written notification of the action, or fourteen (14) business days following the mailing of a written notice by first class mail to the employee's address contained in his/her official personnel records.

For purposes of this subsection "business day" means a day on which the Human Resources Department is open for business to the public.

If the employee fails to do (b) or (c) above within the prescribed time frames, these rights will have been waived.

SECTION 8. GRIEVANCE PROCEDURES

8.1 Definition

A grievance is any dispute which involves the interpretation or application of those rules, regulations and resolutions which have been or may hereafter be, adopted by the City Council to govern personnel practices and working conditions, including such rules and regulations as may be adopted by either the City Council or the Civil Service Commission to affect Memoranda of Understanding which result from the meeting and conferring process.

8.2 Filing Deadline

No grievance involving demotion, suspension, discharge or other employment penalty will be entertained unless it is filed in writing with the Director of Human Resources within ten (10) business days of the date of receipt of written notification of such action, or within fourteen (14) business days following mailing of written notification by first class mail to the employee's address contained in his/her official personnel records.

For purposes of this subsection, "business day" shall mean a day on which the Human Resources Department is open for business to the public.

8.3 Grievance Processing

(a) Step 1 - Departmental Review. Any employee who believes that he**/she** has a grievance may discuss his complaint with such management official in the department in which he**/she** works as the department head may designate. If the issue is not resolved within the department within seven (7) business days from the day of presentation, or if the employee elects to submit his**/her** grievance directly to the Association recognized as the representative of his**/her** classification, the procedures hereinafter specified may be invoked.

(b) Step 2 - Director of Human Resources Review. Any employee or any official of the Association may notify the Director of Human Resources in writing that a grievance exists stating the particulars of the grievance and, if possible, the nature of the determination desired. The Director of Human Resources shall have fourteen (14) business days in which to investigate the issues, meet with the complainant and attempt to reach a satisfactory resolution of the problem. No grievance may be processed under the following two paragraphs which has not first been filed and investigated in accordance with this paragraph except for the resolution of compensation complaints.

(c) Step 3 - City Manager Review. Any grievance which has not been resolved by the procedures hereinabove set forth may be referred to the City Manager by the complainant or by the Director of Human Resources. Such referral shall be in writing, detailing the specific issues involved in the referral together with a statement of the resolution desired. The City Manager shall designate a personal representative who shall not be the Director of Human Resources to investigate the merits of the complaint to meet with the complainant and, if the complainant is not the Association, to meet also with the officials of the Association and to settle the grievance or to make recommendations to the City Manager.

Failure to complete this step within sixty (60) ~~business~~ calendar days shall result in the grievance automatically proceeding to step four (4) of the grievance procedure.

~~(d) Step 4 - Adjustment Board. If the parties are unable to reach a mutually satisfactory accord on any grievance which arises and is presented during the term of this Memorandum of Understanding, such grievance shall be submitted to an Adjustment Board comprised of three (3) Association representatives, no more than one (1) of whom shall be either an employee of the City or an elected or appointed official of the Association and three (3) representatives of the City, no more than one (1) of whom shall be either an employee of the City or a member of the staff of any organization employed to represent the City in the meeting and conferring process.~~

~~(e)~~ **(d)** Step ~~5~~ **4** - Arbitration. ~~If an Adjustment Board is unable to arrive at a majority decision,~~ Eeither the Association or the City may require that the grievance be referred to an impartial arbitrator who shall be designated by mutual agreement between the Association and the City Manager. The fees and expenses of the arbitrator and of a court reporter shall be shared equally by the Association and the City. Each party, however, shall bear the cost of its own presentation, including preparation and post hearing briefs, if any.

~~(f)~~ **(e)** Effect of Decision. The decision of ~~Adjustment Boards and~~ the arbitrator on matters properly before ~~them~~ **him/her** shall be final and binding on the parties hereto except as provided otherwise herein.

8.4 Scope of Arbitration

No ~~Adjustment Board and no~~ arbitrator shall entertain, hear, decide or make recommendations on any dispute unless such dispute involves a position in a unit represented by the Association and unless such dispute falls within the definition of a grievance as set forth in paragraph 8.1.

Proposals to add to or change this Memorandum of Understanding or written agreements or addenda supplementary hereto shall not be arbitrable and no proposal to modify, amend or terminate this Memorandum of Understanding, nor any matter or subject arising out of or in connection with such proposal, may be referred to arbitration under this Section. ~~Neither any Adjustment Board nor any~~ **No** arbitrator selected pursuant to this Section shall have the power to amend or modify this Memorandum of Understanding or written agreements or addenda supplementary hereto or to establish any new terms or conditions of employment.

No changes in this Memorandum of Understanding or interpretations thereof (except interpretations resulting from ~~Adjustment Board or~~ **the** arbitration proceedings hereunder) will be recognized unless agreed to by the City Manager and the Association.

8.5 Other Provisions

If the Director of Human Resources in pursuance of the procedures outlined above, or the City Manager in pursuance of the provisions outlined above resolve a grievance which involves suspension or discharge, they may agree to payment for lost time or to reinstatement with or without payment for lost time, but in the event the dispute is referred to arbitration and the arbitrator finds that the City had cause to take the action complained of, the arbitrator may not substitute his judgment for the judgment of management and if he finds that the City had such right, he may not order reinstatement and may not assess any penalty upon the City.

All complaints involving or concerning the payment of compensation shall be initially filed in writing with the City Manager. Only complaints which allege the employee is not being compensated in accordance with the provisions of this Memorandum of Understanding shall be considered as grievances. Any other matters of compensation are to be resolved in the meeting and conferring process and if not detailed in the Memorandum of Understanding which results from such meeting and conferring process shall be deemed withdrawn until the meeting and conferring process is next open for such decision. No adjustment shall be retroactive for more than thirty (30) days from the date upon which the complaint was filed, except in cases where the City determines that the basis of the compensation issue was a result of a clerical error, the adjustment shall be no more than three hundred and sixty-five (365) days from the date upon which the complaint was filed.

The provisions of this Section shall not abridge any rights to which an employee may be entitled under the City Charter, nor shall it be administered in a manner which would abrogate any power which, under the City Charter, may be within the sole province and discretion of the Civil Service Commission.

All grievances of employees in representation units represented by the Association shall be processed under this Section. If the City Charter requires that a differing option be available to the employee, no action under paragraph (d) ~~or (e)~~ of subsection 8.3 above shall be taken unless it is determined that the employee is not availing himself/**herself** of such option.

No action under paragraph (d) ~~or (e)~~ of subsection 8.3 above shall be taken if action on the complaint or grievance has been taken by the Civil Service Commission, or if the complaint or grievance is pending before the Civil Service Commission.

If any award by an ~~Adjustment Board or~~ arbitrator requires action by the City Council or the Civil Service Commission before it can be placed in effect, the City Manager and the Director of Human Resources will recommend to the City Council or the Civil Service Commission, as appropriate, that it follow such award.

SECTION 9. LEAVES

9.1 Sick Leave

(a) Accrual. All regular employees, except provisional, temporary, and part-time employees, shall accrue sick leave at the rate of ~~ten (10)~~ **eight (8)** hours for each full month of service. All regular employees, except provisional, temporary and part-time employees, working less than a full month shall accrue sick leave on a prorated basis. Unused sick leave shall accumulate from year to year. Employees shall continue to accrue sick leave while off duty on authorized sick leave; provided, however, an employee shall not accrue sick leave during any leave or leaves of absence without pay granted to the employee.

(b) Usage. Employees are entitled to sick leave pay for those days, which the employee would normally have worked, to a maximum of sick leave hours accrued.

An employee may use sick leave for preventive medical, dental, optical care, illness, injury or exposure to contagious disease, which incapacitates him/**her** from performing his/**her** duties. This includes disabilities caused or contributed to by pregnancy, miscarriage, abortion, childbirth and recovery therefrom.

(c) Usage for Family. Employees may utilize **fifty percent (50%) of their annual accrued sick leave to attend to** ~~one (1) day of sick leave per month in the~~ case**s** of illness or injury in the employee's immediate family. ~~In addition, employees may utilize up to three (3) consecutive sick leave days once each calendar year for the aforesaid purpose.~~

For the purposes of this section immediate family is defined as the employee's parents, spouse, **registered domestic partner,** child (child as defined as biological, step, foster or adopted child; a legal ward; child of domestic partner; a child to whom the employee stands in loco parentis)~~,~~ ~~step child~~, **legal dependent,** brother, sister, mother-in-law, father-in-law, brother-in-law, sister-in-law, grandparent, and grandchild.

(d) Procedures for Requesting and Approving Sick Leave. When the requirement for sick leave is known to the employee in advance of his absence, the employee shall request authorization for such sick leave from the department head prior to such absence. In all other instances, the employee shall notify his supervisor as promptly as possible of his absence.

Before an employee may be paid for the use of accrued sick leave, he shall complete and submit to his department head a signed statement, on a prescribed form, stating the dates and hours of absence, the exact reason, and such other information as is necessary for his request to be evaluated. If an employee does not return to work prior to the preparation of the payroll, other arrangements may be made with the approval of the department head.

(e) Doctor's Certificate or Other Proof. ~~If an employee's illness results in an absence from work for more than three (3) consecutive days, then a doctor's certificate or other reasonable proof of illness will be required by the department head.~~

The **Police Chief** ~~department head and~~ **or** the Director of Human Resources ~~may make such sick leave usage reviews and~~ may require **a doctor's certificate or other reasonable proof of illness** ~~such physician's documentation,~~ as **he/she** ~~they~~ deem necessary **in order for an employee to receive an excused absence from work and sick leave pay**. ~~to insure proper use of the sick leave benefit.~~ **The employee shall be given notice prior to returning to work that he or she will be required to provide such documentation. Employees who have unscheduled absences due to illness on a scheduled work day preceding or following a holiday may be required to bring a doctor's certificate or other reasonable proof of illness in order to receive an excused absence and sick leave pay.**

(f) Use of Sick Leave While on Vacation. An employee who is injured or who becomes ill while on vacation may be paid for sick leave in lieu of vacation provided that the employee:

(1) Was hospitalized during the period for which sick leave is claimed, or

(2) Received medical treatment or diagnosis and presents a statement indicating disabling illness or injury signed by a physician covering the period for which sick leave is claimed.

(g) Payment for Unused Sick Leave ~~Upon separation with ten (10) years or more of employment, or upon termination of employment by reason of death, service or disability retirement, the employee or the employee's estate will be paid fifty percent (50%) of the total unused sick leave at its current cash value.~~

Except as provided in section (h) before, all sick leave shall have no cash value upon separation of employment and employees shall not

be allowed to cash out unused sick leave. Current employees shall be eligible for CalPERS service credit for unused sick leave at retirement. Employees hired after the City amends its CalPERS contract to eliminate service credit for unused sick leave shall not be eligible for that service credit.

(h) Sick Leave Retention Benefit.

If, after subtracting the equivalent of one full year of service credit (2080 hours), which may be applied to CALPERS service credit, any balance remaining upon separation shall be paid as follows to employees who have remained in City service until the dates specified:

(1) Separation prior to July 1, 2014, no payment of unused sick leave at separation shall occur for separating employees before this date;

(2) Separation between July 1, 2014 and June 30, 2015, payment of unused sick leave which the employee held on 2/16/12 shall be paid at 35% of its cash value to separating employees between these dates; and

(3) Separation after July 1, 2015, payment of unused sick leave which the employee held on 2/16/12 shall be paid at 50% of it's cash value to separating employees after this date.

(4) Service credit for unused sick leave shall be in accordance with PERS regulations.

9.2 Military Leave

An employee of the City who is a member of the National Guard or Naval Militia or a member of the Reserve Corps or force of the Federal Military, Naval, or Marine service and is ordered to duty shall be granted leave with pay while engaged therein, provided the leave does not exceed thirty (30) days in any calendar year.

All regular employees in the service of the City shall be allowed leave of absence without pay for the duration of a national emergency who have been inducted into the Army, Navy, Marine Corps, Air Force, or any other branch of the Military Service of the United States or the State of California. Said employees shall be reinstated in the position they held when they were inducted into Military Service, except as hereinafter stated, providing they are physically fit as shown by a medical examination by the City Physician or other physician appointed to make a medical examination.

In the case of a probationary employee having served his minimum probationary period of eighteen (18) months at the time of induction, it shall be optional with the department head and the City Manager to grant regular status to said employee before induction.

All probationary employees inducted into Military Service not having served the minimum probationary period of eighteen (18) months, or having served the minimum probationary period of eighteen (18) months, but not having received regular status shall be allowed leave of absence without pay for the duration of a national emergency, but said employees shall be placed at the head of the eligible list for such position in the order of their seniority of employment and when appointed to a vacant position, they must be physically fit as above specified and shall serve the balance of their probationary period before attaining the status of a regular employee.

Two or more regular employees granted military leave of absence without pay from the same position shall be reemployed according to their seniority of employment providing they are physically fit as above specified.

9.3 Court Appearance

Upon approval by the department head, an employee, other than a provisional or temporary employee, shall be permitted authorized absence from duty for appearance in court because of jury service, in obedience to subpoena or by direction of proper authority, in accordance with the following provisions:

(a) Said absence from duty will be **compensated for actual hours** ~~with full pay for each day~~ the employee serves on the jury or is required to remain in court to testify~~ies~~ as a witness in a criminal case, other than as a defendant, including necessary travel time. As a condition of receiving such full pay, the employee must remit to the City Treasurer, through the employee's department head, within fifteen (15) days after receipt all fees received except those specifically allowed for mileage and expenses.

(b) Jury duty or witness duty appearances shall be considered in terms of **actual hours spent performing those duties.** ~~"whole days" (8 hours) or "half days" (4 hours) of service.~~ If an employee is not due to appear for jury duty or as a witness until afternoon court session, he**/she** will be expected to work his usual morning schedule. If an employee is required to appear for morning court session and is **released** ~~sent home~~ before noon and not required to return **to court** in the afternoon, he**/she shall** ~~will be expected to~~ work **the remainder of his/her** usual afternoon schedule.

(c) Said absence from duty will be without pay when the employee appears in private litigation to which the City of Stockton is not a party.

Any fees allowed, except for reimbursement of expenses incurred, shall be remitted to the City Treasurer through the employee's department head.

Notwithstanding the foregoing, attendance in court in connection with an employee's official duties or in behalf of the City of Stockton in connection with a case in which the City of Stockton is a party, together with travel time necessarily involved, shall not be considered absent from duty within the meaning of this Section.

9.4 Bereavement Leave

In the event of a death in the immediate family of an employee, ~~he~~ **the employee** shall, upon request be granted up to three (3) days bereavement leave with pay without charge to his**/her** accumulated sick leave credits or vacation eligibility. The City Manager may grant an additional ~~two (2)~~ **three (3)** days bereavement leave upon request which shall be charged against the employee's accumulated sick leave credits in cases where extensive travel is required to attend the funeral.

For the purposes of this Section, the immediate family shall be restricted to the employee's parents, spouse, **registered domestic partner,** child, step child, brother, sister, mother-in-law, father-in-law, brother-in-law, sister-in-law, grandparent, and grandchild.

In the event of the death of a person not immediately related to an employee as defined above, the employee's department head may grant up to three (3) days bereavement leave upon request which shall be charged against the employee's accumulated sick leave credits.

9.5 Workers Compensation Leave

Forms and Procedures. Workers' compensation processing shall be consistent with City procedures and in accordance with state workers' compensation regulations. An employee who sustains a work-related injury or illness shall immediately inform his/her supervisor no matter how minor an on-the-job injury may appear. An employee who sustains a work-related injury or illness requiring medical care is required to seek medical care at facilities designated by the City unless they have filed a pre-designation of personal physician prior to sustaining the work-related injury or illness. For a list of City designated medical care facilities and/or physicians, please contact Human Resources.

9.6 Leave of Absence

Employees shall not be entitled to leaves of absence as a matter of right, but only in accordance with the provisions of law and the City of Stockton Municipal Code. Unless otherwise provided, the granting of a leave of absence also grants to the employee the right to return to a position in the same classification or equivalent classification, as the employee held at the time leave was granted. The granting of any leave of absence shall be based on the presumption that the employee intends to return to work upon the expiration of the leave.

All approval authority over leaves of absence exercised by the department head under this Section shall be subject to review by the City Manager, whose ruling shall be final.

Employees on authorized leaves of absence without pay shall not be entitled to payment by the City of the premiums for their health and dental insurance, except as provided hereinafter.

The entitlement to City payment of premiums shall end on the last day of the month in which the employee was paid except that employees on an authorized leave of absence may continue enrollment in the City health insurance plan by prepayment of the monthly premium during the authorized leave of absence.

Authorized absence without pay which exceeds thirty (30) consecutive calendar days, except military leave, shall not be included in determining salary adjustment rights, based on length of employment. Periods of time during which an employee is required to be absent from his/**her** position by reason of an injury or disease for which he/**she** is entitled to and currently receiving Workers' Compensation benefits shall be included in computing length of service for the purpose of determining that employee's salary adjustments.

9.7 Leave of Absence Without Pay

(a) Purpose and Length. Only employees occupying regular positions on a permanent basis are eligible for leaves of absence without pay under the provisions of this Section.

An appointing authority may grant a leave of absence without pay for personal reasons up to a maximum of twelve (12) months with approval of the Director of Human Resources.

Leaves of absence without pay on account of illness or injury which are not job-incurred may be granted for a maximum period of twelve (12) months with approval of the Director of Human Resources. This includes disabilities caused or contributed to by pregnancy, miscarriage, abortion, childbirth and recovery therefrom.

Such a leave will be granted only after all accrued sick credits have been used and shall be substantiated by a physician's statement.

(b) Application for and Approval of Leaves of Absence Without Pay. In order to receive leave without pay, an employee must submit a request on the prescribed form to his department head and the City Manager describing the reasons for the request and all other information required for the department head, or his representative, to evaluate the request. Leaves without pay may be canceled by the department head at any time.

9.8 Absence Without Leave

(a) Refusal of Leave or Failure to Return After Leave. Failure to report for duty or failure to report for duty after a leave of absence request has been disapproved revoked or canceled by the department head or City Manager or at the expiration of a leave, shall be considered an absence without leave.

(b) Voluntary Resignation. Any employee of this bargaining unit absent without leave for two (2) or more consecutive days or absent an aggregate of either sixteen (16) hours or twenty (20) hours in any calendar month without a satisfactory explanation shall be deemed to have voluntarily resigned from the City of Stockton except if the absence is due to a verified illness or injury.

9.9 Vacation Leave

(a) Vacation Allowance. All regular employees, excluding provisional, temporary and part-time employees shall accrue vacation leave with pay semi-monthly in accordance with the following schedule ~~(employees shall accrue vacation on a monthly basis)~~:

Less than 1-1/2 years continuous employment ....80 hours/year
After 1-1/2 years up to 7 1/2 years ....~~120~~ **108** hours/year
After 7-1/2 years up to 15 years ....~~160~~ **144** hours/year
After 15 years up to 25 years ....~~200~~ **189** hours/year

~~Eight (8)~~ **Seven (7)** additional hours hence for each completed year of service in excess of twenty-five (25) years.

(b) Vacation Accumulation. ~~An employee may be allowed to accumulate up to one hundred twenty (120) hours of vacation accrual in addition to the employee's regular vacation allowance for that calendar year. Whenever an employee's accumulation of vacation hours exceed the maximum vacation carryover provision, the equivalent number of hours that exceed the maximum vacation carryover hours shall be automatically credited to the employee's sick leave accumulation balance at the end of the calendar year. However, an employee may accrue unlimited vacation time in excess of the maximum allowance when such vacation accrues because of remaining in a pay status during periods of illness or injury which precluded liquidating vacation credits earned in excess of the maximum allowed.~~

Effective July 1, 2012, the following maximum vacation accruals shall take effect. Employees reaching the maximum hours provided here shall stop accruing additional vacation hours until they are below the caps listed here. No vacation hours may be added to sick leave balances without exception.

Employees who, on July 1, 2012, have vacation balances that exceed their maximum shall have until June 30, 2013 to use sufficient vacation satisfy the maximum allowed. If an employee does not satisfy the maximum by June 30, 2013, he/she shall retain his/her existing earned vacation, but shall not earn any additional vacation until the employee's vacation balance is under the maximum vacation accrual allowed.

The maximum number of vacation hours that employees on a 40 hour workweek shall accrue are as follows:

Under 1.5 years	**120 hours**
1.5 – 7.5 years	**240 hours**
7.5 – 15 years	**280 hours**
15 – 25 years	**320 hours**
26 years	**328 hours**
27 years	**336 hours**
28 years	**344 hours**
29 years	**352 hours**
29 plus years	**7 hours each additional year**

(c) Vacation Schedule. The time at which employees shall be granted vacation leave shall be at the discretion of the department head with due regard for the wishes of the employee and needs of the City.

(d) Vacation Allowance for Separated Employees

(1) When an employee is separated from the service **between February 17, 2012 and July 1, 2014**, **the employee's** ~~his~~ remaining vacation allowance, if any, shall be ~~added to his final compensation.~~ **paid as follows**:

a. Upon separation, employees shall receive one third (1/3) or $10,000, whichever is greater, of the total of his/her unused accumulated vacation hours.

b. On the one year anniversary of employee's separation, he/shall shall receive the second payment of one third (1/3) or $10,000, whichever is greater of the balance of his/her unused accumulated vacation hours.

c. On the second year anniversary of employee's separation he/she shall receive payment for the balance of the unpaid accumulated vacation hours.

d. Employees who are involuntarily separated shall have their remaining vacation allowance, if any, added to his/her final compensation.

(2) An employee who has resigned in good standing and is subsequently reinstated within one (1) year from the date of his resignation shall have his prior service counted in determining eligibility for vacation benefits, deducting therefrom the amount of time between the date of resignation and the date of reinstatement which shall not be counted in determining eligibility.

~~(e) Vacation Cash Payment Option. An elect to receive cash payment for up to a maximum of forty (40) hours of his/her accumulated vacation balance after the use of a scheduled vacation of forty (40) consecutive hours or more. This option may be exercised once per calendar year.~~

SECTION 10. DAYS AND HOURS OF WORK

10.1 Regular Workweek

The normal workweek for Police Unit employees shall consist of five (5) eight (8) hour days or a minimum total of forty (40) hours. Where operational requirements of a department require deviations from the present schedule, the City Manager may institute alternate work schedules, consistent with provisions of the State Law.

10.2 Regular Workweek for Patrol

The work schedule for patrol is the current 4/10 work schedule. The Chief of Police may change the start/finish time of a shift after providing written notification.

10.3 Meal Periods

Phase shift employees normally receive a one-half (1/2) hour meal with pay each day.

Other Police Unit employees will normally receive a one (1) hour meal period without pay.

10.4 Work Furloughs

(a) **62 Furlough Hours. Effective the pay period that includes July 1, 2012 through June 30, 2014, each employee shall take sixty two (62) unpaid furlough hours in each fiscal year in accordance with (c) and (d) of this section for a total of one hundred and twenty four (124) hours of unpaid furlough hours. The parties agree that the City shall have the complete authority to reduce or eliminate, but not increase the 62 hours per fiscal year furlough requirement, at any time during the term of this contract upon written notice from the City to the SPOA.**

(b) **Equalized Payroll Deductions. Payroll deductions for the sixty two (62) furlough hours per fiscal year of this contract described in section 10.4, paragraph (a) herein above shall be equalized so that each bargaining unit employee shall have three percent (3%) of the employee's regular hourly rate of pay deducted from each of the twenty-four (24) pay warrants in each fiscal year.**

(c) **Furlough Bank. On or after the first pay period in July of 2012 and July of 2013, sixty two (62) furlough hours per fiscal will be placed in** a furlough bank. There shall be no cash value provided for any furlough hours since the start of the furlough program in 2009 and all furlough bank hours shall be used in accordance with 10.4 d below.

(d) Use of Furlough Hours. All furlough leave shall be scheduled in advance with the employee's supervisor. All Furlough must be scheduled and used prior to the date of separation in accordance to City's leave policies.

~~(e) Separation from City Service before June 30, 2013. Any employee who separates from City service before the final four (4) hour furlough deduction on July 7, 2013 for the pay period ending June 30, 2013, and after having used furlough hours, shall have his or her final compensation reduced by the sum of the number of furlough hours the employee has actually used minus the number of furlough hours actually deducted from the employee's pay warrants multiplied by the employee's regular hourly rate of pay. Conversely, any employee who separates from City service before June 30, 2013, having suffered furlough deductions in excess of the actual number of furlough hours the employee has used, shall have his or her final compensation credited by like amount.~~

SECTION 11. OVERTIME

11.1 Authorization

All compensable overtime must be authorized by the Chief of Police or the Chief's ~~department head or~~ ~~his~~ designated representative in advance of being worked. If prior authorization is not feasible because of emergency conditions a confirming authorization must be made on the next regular work day following the date which the overtime was worked.

11.2 Compensation

The following provisions pertaining to authorized **statutorily required** overtime work shall apply to ~~those~~ employees whose normal work period is eight (8) hours per day and forty (40) hours per week**, or (10) hours per day and forty (40) hours per week**:

(a) **Statutory overtime shall be paid on actual t**~~T~~ime worked in excess of forty (40) hours in any workweek**. Such overtime** shall be paid for at time and one-half (1-1/2) including employees employed on a per hour or per day basis or except as provided elsewhere herein.

(b) On a holiday observed by the City an employee shall be paid for a regular day plus time and one-half (1-1/2) for actual time worked.

(c) **Hours worked shall include all actual time worked. Furlough hours taken, holiday hours taken and observed holidays where the City is closed shall be considered as time worked and those positions in this unit are not required to report to work. Sick leave, vacation, or other compensated time off shall not be considered as actual time worked.**

11.3 Court Appearance Pay While in Off Duty Status

(a) An employee required by proper authority to appear in court during off-duty hours shall receive ~~a minimum~~ compensation of three (3) hours at time and one-half (1-1/2) or actual time worked at **the appropriate rate,** ~~time and one-half (1-1/2),~~ whichever is greater.

~~In the event such employee is required by proper authority to return to court during off-duty hours on the same day, such employee shall be compensated for a minimum of three (3) hours at time and one-half (1-1/2) or actual time worked at time and one-half (1-1/2), whichever is greater.~~

~~If court appearance is made in the morning and afternoon session on the same day, such employee shall be compensated for a minimum of, in addition to the above, one (1) hour at time and one-half (1-1/2).~~

(b) Voluntary Court Standby

Police Unit employees who voluntarily place themselves on standby for court appearance while off duty shall receive one (1) hour of pay at the regular rate for the four (4) hours of standby for the a.m. and, if required to remain on standby, one (1) additional hour at the regular rate of pay for the additional four (4) hours of standby for the p.m.

11.4 Call-Back Policy

When an employee is called back to work from an off-duty status, the employee shall be compensated for a minimum of three (3) hours at time and one-half (1-1/2) or actual time worked at time and one-half (1-1/2)**, if eligible for overtime as defined in Section 11.2, above,** whichever is greater.

~~11.5 Compensation For Hirebacks~~

~~Police Department employees who voluntarily fill a vacant position or a specially funded position, such as D.U.I., shall be paid at the rate of time and one-half (1-1/2) for all hours worked. Compensation for overtime worked under this Section shall be in cash and is specifically excluded from coverage under Section 11.6.~~

11.5 ~~6~~ Compensatory Time

(a) Definition - As used in this Section, the term Compensatory Time refers to that time which an employee is entitled to be absent from duty with pay for hours worked in addition to or excess of their normal work schedule. Such time has previously been referred to as Earned Time.

(b) Accrual - For all hours in excess of forty (40) hours in a seven (7) day work period, for which the employee is in a paid status, the Association agrees that compensatory time shall be earned at the rate of time and one-half (1-1/2).

No more than eighty (80) hours (fifty-six and one-third hours [56-1/3]) worked at time and one-half (1-1/2) may be carried on the books at any time. When the time card is filled out, employees may elect to accrue Compensatory Time or be paid cash.

(c) Use - Use of Compensatory Time shall be scheduled with due consideration for the wishes of the employee and so as to not interfere with the normal operation of City business. Approval of requests for use of Compensatory Time shall be at the sole discretion of the department head, but once approved, cannot be changed unless an emergency situation arises.

(d) Payment - Once eighty (80) hours of Compensatory Time is accrued on the books, all other hours worked in excess of forty (40) hours in a seven (7) day work period will automatically be paid. At the end of each calendar year, all Compensatory Time will be carried forward (forty (40) hours maximum), unless the employee elects to have the compensatory balance paid. Carryover Compensatory Time cannot exceed the forty (40) hours maximum.

11.6 ~~7~~ Standby Compensation

Employees who are placed on standby on Saturday or Sunday or their normal day off shall be paid at the rate of **$3.00 per hour** ~~one third (1/3) day's pay at regular time~~ for each ~~twenty-four (24)~~ hour **on standby assignment.** ~~and time and one-half (1-1/2) for actual time worked during such assignment.~~ **An employee shall earn time and one-half (1-1/2) for all actual time worked while on standby duty status only if eligible for overtime as defined above. An employee shall not continue to receive the "standby" premium during actual time worked or for any hours paid as overtime or call back. Standby is not considered as time in "paid status because of work performed" for purposes of calculating overtime.**

~~Employees who are placed on standby on holidays observed by the City shall be paid at the rate of one-half (1/2) day's pay at regular time for each twenty-four (24) hours. , plus time and one-half (1-1/2) for actual time worked, and double time and one-half (2-1/2) for actual time worked in excess of eight (8) hours.~~

Employees who are placed on standby after their normal tour of a regular work day shall receive **$3.00 per hour for each hour of standby** ~~one (1) hour's pay and time and one-half (1-1/2) for actual time worked during such assignments~~. **An employee shall earn time and one-half (1-1/2) for all actual time worked while on standby duty status only if eligible for overtime as defined above. An employee shall not continue to receive the "standby" premium during actual time worked or for any hours paid as overtime or call back. Standby is not considered as time in "paid status because of work performed" for purposes of calculating overtime.**

Employees who are placed on standby shall take a City vehicle and a beeper when required to stand by. The vehicle and beeper shall be turned in at the conclusion of each standby assignment.

While in such standby status employees shall leave with the Command Center a telephone number at which they can be reached. Such employees shall be within forty-five (45) minute response time availability to the Police Department.

11.7 No Standby Compensation for Time Worked

Employees shall not simultaneously receive compensation for court appearance, voluntary court standby, standby, or call back pay provided in Sections 11.3(a), 11.3(b), 11.4 or 11.6. Employees are eligible to receive overtime only in accordance with Section 11.2 above.

~~**11.8 Voluntary Court Standby**~~

~~Police Unit employees who voluntarily place themselves on standby for court appearance while off duty shall receive one (1) hour of pay at the regular rate for the a.m. and, if required to remain on standby, one (1) additional hour at the regular rate of pay for the p.m.~~

SECTION 12. HOLIDAYS

12.1 Holiday Compensation

(a) All regular and probationary Police Unit employees shall receive, in addition to their normal compensation, one day's pay for each of the holidays listed ~~except for the employee's birthday~~.

(b) Police Unit employees required to work a holiday shall be compensated an additional day's pay at one and one-half (1-1/2) times the straight time rate. This compensation can be in the form of direct payment or compensatory time. Compensatory time overtime hours shall be limited to a maximum accumulation of eighty (80) hours at any point. Police Unit employees requesting payment for compensatory time shall, prior to July 1, each year, declare on a form provided by the City their intention to receive equivalent compensatory time for holidays which they may have to work.

12.2 Holidays Observed by the City

~~(1) January 1 .... New Year's Day~~
~~(2) Third Monday in January .... Martin Luther King, Jr. Birthday~~
~~(3) Second Monday in February .... Lincoln's Birthday~~
~~(4) Third Monday in February .... Washington's Birthday~~
~~(5) March 31 .... Cesar Chavez' Birthday~~
~~(6) Last Monday in May .... Memorial Day~~
~~(7) July 4 .... Independence Day~~
~~(8) First Monday in September .... Labor Day~~
~~(9) Second Monday in October .... Columbus Day~~
~~(10) November 11 .... Veteran's Day~~
~~(11) Fourth Thursday in November .... Thanksgiving~~
~~(12) Fourth Friday in November .... Day after Thanksgiving~~
~~(13) December 25 .... Christmas Day~~
~~(14) .... Employee's Birthday~~

Employees shall receive the following holidays on full pay not to exceed eight (8) hours for any one (1) holiday, unless otherwise provided in this section.

(1) New Years Day .... (January 1)
(2) Martin Luther King's Birthday .... (Third Monday in January)
(3) Lincoln's Birthday .... (Second Monday in February)
(4) Washington's Birthday .... (Third Monday in February)
(5) Cesar Chavez' Day .... (March 31)

(6) Memorial Day .... (Last Monday in May)
(7) Independence Day .... (July 4)
(8) Labor Day .... (First Monday in September)
(9) Columbus Day... (Second Monday in October)
(10) Veteran's Day ....(November 11)
(11) Thanksgiving.. (Fourth Thursday in November)
(12) Day following Thanksgiving ....(Fourth Friday in November)
(13) Christmas Day... (December 25)
~~**(14)... Employee's Birthday**~~

~~In addition, a day appointed by the President or Governor as a public holiday shall be observed by the City.~~

~~The department head with due consideration for the wishes of the employee and the needs of the department may authorize the birthday to be taken within fifteen (15) calendar days of the employee's actual birth date.~~

For employees on a Monday through Friday workweek, if holidays fall on a Sunday, the following Monday shall be observed. If holidays fall on Saturday, the preceding Friday shall be observed.

For employees on 4/10 alternative work schedule, employees may flex the remaining two hours of a scheduled holiday within the same FLSA work period with prior approval of their supervisor.

For employees on 9/80 alternative work schedule, employees may shift their work schedule so that their eight (8) hour day falls on designated holiday with prior approval of their supervisor.

SECTION 13. COMPENSATION AND ALLOWANCES OTHER THAN BASE SALARY

13.1 Retirement Contribution Supplement

(a) The City contributes **an amount equal to** nine percent (9%) of the employee's current base salary and other compensation as qualified by State law toward P.E.R.S. ~~(effective October 1, 1984)~~ **benefits**. Such amounts will be applied to the employee's individual account in accordance with Government Code Section ~~20615~~ **20691**.

(b) The City will make application to P.E.R.S. to provide California Government Code section 20692 (Employer Paid Member Contributions Converted to Payrate during the Final Compensation Period) as an additional P.E.R.S. benefit, to be effective upon adoption by the Stockton City Council and the P.E.R.S. Administration Board. The Internal Revenue Service (IRS) Code 414H(2), whereby employee contributions shall be tax deferred (not subject to taxation until time of constructive receipt) will be concurrently implemented with P.E.R.S. California Government Code section 20692.

At the beginning of employee's last year of employment, such employee shall pay their employees' nine percent (9%) retirement contribution through an automatic payroll deduction. The City shall increase the employee's base salary by the same nine percent (9%) for the last twelve (12) months of employment.

(c) Legacy employees hired on or before December 31, 2012 shall pay nine percent (9%) of the employee's current base salary (employee contribution) and other compensation as qualified by state law towards the Public Employees' Retirement System (PERS) towards the employee's share of cost for PERS pension. Such amounts will be applied to the employee's individual account in accordance with Government Code section 20691.

(d) ~~(c)~~ Non Sworn Police Officer Trainee. The City and the Association agree that employees hired into the Non Sworn Police Officer Trainee classification shall be members of the "local miscellaneous" retirement plan rather than the "local safety" retirement plan.

The ~~City will~~ **employee shall** contribute seven percent (7%) of the employee's current base salary and other compensation as qualified by State law toward the P.E.R.S. Local Miscellaneous Members Plan. Such amounts will be applied to the employee's individual account in accordance with Government Code section ~~20615~~ **20691**.

Upon satisfactory completion of basic recruit training, the Non Sworn Police Officer Trainee (Local Miscellaneous Member) shall be transferred to Sworn Police Officer plan (Local Safety Member).

13.2 Military Service Credit

The City shall provide for military service pursuant to the provisions of Government Code Section **21024, formerly Section** 20930.3 and Section 20930.33, at the employee's expense.

~~**13.3 P.E.R.S. Credit for Professional Growth (Earned Time)**~~

~~(a) For any bargaining unit member whose retirement date is later than December 31, 1993, all pay provided to that employee as a sell back of Professional Growth (Earned Time) shall be reported by the City to the Public Employees' Retirement System as a part of the "final compensation" that P.E.R.S. is to use to determine the amount of that employee's retirement allowance.~~

~~(b) In no event shall this increment to "final compensation" consist of more than a one (1) year of Professional Growth (Earned Time).~~

13.~~3~~4 P.E.R.S. Fourth Level Of 1959 Survivor Benefits

The City ~~will make application to~~ provide**s** P.E.R.S. California Government Code section 21574 (Fourth Level of 1959 Survivor Benefits) as an additional retirement benefit, to be effective upon adoption by the Stockton City Council and the P.E.R.S. Administration Board.

13.~~4~~5 P.E.R.S. 3% At Age 50 Retirement for Employees Hired on or before December 31, 2012

On July 21, 2000, the City made application to PERS to provide P.E.R.S. California Government Code section 21362.2 (3% at age 50) as an amendment retirement benefit, to be effective upon adoption by the Stockton City Council and the P.E.R.S. Administration Board.

13.5 PERS Benefits for Employees hired on or after January 1, 2013

(a) Employees hired on or after January 1, 2013 shall be subject to the new AB340 PERS pension formula of 2.7%@57 with no optional pension enhancements. Employees shall pay 50% of the City normal cost rate for the 2.7% @57 as determined by CalPERS.

(b) As soon as administratively possible, the City shall amend its CalPERS contract to eliminate sick leave conversion and the enhanced survivor benefits for all employees hired on or after the effective date of the contract amendment.

13.6 Uniform Allowance

(a) Employees in this unit shall receive as additional annual compensation, a uniform allowance ~~each calendar year~~ in the amount of ~~one thousand four hundred dollars ($1,400.00)~~ **nine hundred fifty dollars ($950.00)**.~~effective January 2005, one thousand five hundred dollars ($1,500.00) effective January 1, 2006; one thousand six hundred dollars ($1,600.00) effective January 1, 2007; one thousand seven hundred dollars ($1,700.00) effective January 1, 2008; one thousand eight hundred dollars ($1,800.00) effective January 1, 2009; and one thousand nine hundred dollars ($1,900.00) effective January 1, 2010.~~

Payment shall be made in two equal installments of one-half (1/2) of the annual value of uniform allowance to eligible employees during the months of April and October.

(b) Protective Vests - The City shall provide safety protective vest and annual testing by lot number.

~~13.7 Legal Defense Fund~~

~~The City shall contribute to Stockton Police Officers' Association not to exceed the amount of Two Dollars and No Cents ($2.00) per month per member for the purchase of legal defense insurance.~~

13.~~7~~8 P.O.S.T. Incentive Pay

(a) The City will pay three percent (3%) of the Police Officer top salary step for employees who attain an Intermediate P.O.S.T. Certificate and six percent (6%) of the Police Officer top salary step for employees who attain an Advanced P.O.S.T. Certificate.

(b) Effective January 1, 1999, the City will pay three percent (3%) of the Police Sergeant top salary step for employees who attain an Intermediate P.O.S.T. Certificate, and six percent (6%) of the Police Sergeant top salary step for employees who attain an Advanced P.O.S.T. Certificate.

(c) The Personnel and Training Division of the Police Department will submit the appropriate paperwork to the Human Resources Services Department confirming and authorizing P.O.S.T. Educational Incentive Pay for eligible employees.

Compensation shall be effective the first of the month following the date of eligibility for the certificate.

~~**13.9 Educational Incentive Pay**~~

~~In accordance with the City Manager's Administrative Directive, HR 031 dated June 1, 1992, employees with degrees/diplomas above and beyond that which is required of their position shall be provided three percent (3%) of the top step of the position, effective January 1, 1994. Employees are limited to no more than three percent (3%) regardless of the number of degrees/diplomas above that required of the position. If the employee promotes to a position, which matches his or her diploma/degree, the three percent (3%) will no longer be paid. Experience may not substitute for education. Other formal education/training programs may substitute for the actual degree/diploma.~~

~~Employees in a classification requiring a Masters degree, those employees who possess double Masters will be eligible for three percent (3%) education incentive pay.~~

13.8~~10~~ Longevity Increment Pay for Police Officer for Grandfathered Employees Only

Effective August 1, 2011, Longevity Increment Pay for Police Officer shall be eliminated, Those members who were receiving Longevity Increment Pay as of July 31, 2011, shall be grandfathered, and effective August 1, 2011 their Longevity Increment Pay shall be reduced by 5% and shall remain frozen at that level and no additional increments shall be earned, as described herein.

~~The Longevity Increment shall be effective the first pay period following the anniversary date of hire of the employee as follows:~~

(a) **For those members who as of July 31, 2011 were receiving** ~~The City will pay~~ five percent (5%) of top salary step in rank for longevity, upon completion of six (6) continuous years of service as a public safety officer with the Stockton Police Department**, effective August 1, 2011 those members shall no longer receive longevity increment pay. This longevity increment pay shall remain frozen at this level and no additional increments shall be earned.**

(b) **For those members who as of July 31, 2011 were receiving** ~~The City will pay~~ seven percent (7%) of top salary step in rank for longevity, upon completion of nine (9) continuous year of service as a public safety officer with the Stockton Police Department, **effective August 1, 2011 the City shall pay two percent (2%) of top salary step in rank for longevity pay. This longevity increment pay shall remain frozen at this level and no additional increments shall be earned**.

(c) **For those members who as of July 31, 2011 were receiving** ~~The City will pay~~ twelve percent (12%) of top salary step in rank for longevity, upon completion of twelve (12) continuous years of service as a public safety officer with the Stockton Police Department, **effective August 1, 2011 the City shall pay seven percent (7%) of top salary step in rank for longevity pay. This longevity increment pay shall remain frozen at this level and no additional increments shall be earned**.

(d) **For those members who as of July 31, 2011 were receiving** ~~The City will pay~~ fourteen percent (14%) of top salary step in rank for longevity, upon completion of eighteen (18) continuous years of service as a public safety officer with the Stockton Police Department, **effective August 1, 2011 the City shall pay nine percent (9%) of top salary step in rank for longevity pay. This longevity increment pay shall remain frozen at this level and no additional increments shall be earned**.

(e) **For those members who as of July 31, 2011 were receiving** ~~The City will pay~~ nineteen percent (19%) of top salary step in rank for longevity, upon completion of twenty-four (24) continuous years of service as a public safety officer with the Stockton Police Department, **effective August 1, 2011 the City shall pay fourteen percent (14%) of top salary step in rank for longevity pay. This longevity increment pay shall remain frozen at this level and no additional increments shall be earned**.

(f) For the limited purpose of defining continuous service under this Section of the Memorandum of Understanding, continuous service shall include leaves without pay for less than one (1) year as long as the public safety officer did not withdraw the his or her contributions to P.E.R.S.

(g) **Effective July 1, 2012, Section 13.8(a) through (f) are modified as follows:**

Employees who are receiving Longevity Pay as described above shall have their Longevity pay reduced an additional 4% effective July 1, 2012, except that individuals whose 2011 reduction of the following amounts (Reductions of Longevity pay, elimination of Master Officer Pay, elimination of Educational Incentive and payment

of employees PERS contribution) was 22% shall have their Longevity amount reduced by 1%. The longevity increment pay shall remain frozen at this level and no additional increments shall be earned nor additional persons shall qualify for this pay.

~~13.11~~ Longevity Increment Pay For Police Sergeant

~~The City will pay five percent (5%) of top salary step in rank for longevity, effective the first pay period following the anniversary date of completion of fifteen (15) continuous years of service with the Stockton Police Department and upon placement at step 6 of the Sergeant's pay schedule.~~

The 5% Longevity Pay received by Sergeants is frozen effective July 1, 2012 and no additional persons shall qualify for this pay.

~~13.12 Payment for Unused Sick Leave~~

~~Upon separation with ten (10) years or more of employment, or upon termination of employment by reason of death, service or disability retirement, the employee or the employee's estate will be paid fifty percent (50%) of the total unused sick leave at its current cash value.~~

~~13.13 Deferred Compensation~~

~~Note: Language from September 10, 2007 Side Letter noted in BOLD below.~~

~~Each employee in this unit shall receive a City paid deferred compensation contribution. The City paid contribution shall be in addition to the employee's voluntary deferred compensation contributions. Participants shall receive this benefit during employment with the City of Stockton and generally cannot withdraw the funds until retirement or service termination.~~

~~(a) Effective January 1, 1999, the City will provide, in addition to regular salary, a contribution of two percent (2%) of the employee's current base salary toward the City's deferred compensation plan, to expand the employee's retirement benefit allowance.~~

~~(b) Effective January 1, 2000, the City will provide, in addition to regular salary, an additional contribution of one percent (1%) of the employee's current base salary for a total of three percent (3%) toward the City's deferred compensation plan, to expand the employee's retirement benefit allowance.~~

~~(c) Effective January 1, 2001, the City will reduce the deferred compensation contribution two percent (2%) of the employee's current base salary.~~

~~(d) Effective January 1, 2002, the City will provide, in addition to regular salary, an additional contribution of one percent (1%) for a total of three percent (3%) toward the City's deferred compensation plan, to expand the employee's retirement benefit allowance.~~

~~(e) Effective January 1, 2003, the City will provide, in addition to regular salary, an additional contribution of one percent (1%) for a total of four percent (4%) toward the City's deferred compensation plan, to expand the employee's retirement benefit allowance.~~

~~(f) Effective~~ ~~**with the first pay period for**~~ ~~July 1, 2007,~~ ~~**or as soon thereafter upon the establishment of the Retiree Medical Trust, the City paid contribution of**~~ ~~the City's contribution to the Deferred Compensation Plan will be reduced from four percent (4.0%)~~ ~~**of the employee's current base salary to the Deferred Compensation Plan shall be reduced by $108.36 per month per unit member: (Refer to Sections 14.4 C.1. and 14.4 C.2. of this Agreement regarding City monthly contributions of $108.36 per unit member towards the Retiree Medical Trust).**~~~~to two percent (2.0%) of the unit member's base salary. (Refer to Section 14.4 C. 1. regarding City contributions to the Retiree Medical Trust.)~~

13.9~~14~~Canine Handler Compensation

Employees assigned canine responsibilities shall be paid a maximum of ten (10) hours per month, at the rate of one and one-half (1-1/2) time. Compensation shall be for time spent by officers on their off-duty time to feed and exercise the dog and to clean the kennel.

13.10~~15~~Motorcycle Officer Compensation

Effective the first full pay period after the effective date of this contract, employees assigned motorcycle responsibilities shall be paid a maximum of ~~eight (8)~~ **four and one-quarter (4.25)** hours per month, at the rate of one and one-half (1-1/2) time. Compensation shall be for the time spent by officers on their off-duty time to clean, wax and generally maintain their assigned motorcycles.

13.11~~16~~Explosive Ordinance Disposal Compensation

Effective July 1, 2005, the pay for unit members assigned to EOD shall be paid a maximum of five (5) hours per month at the rate of one and one-half (1-1/2) time.

13.12~~17~~SWAT Compensation

~~Effective July 1, 2005~~ **Effective the first full pay period after the effective date of this contract**, the pay for unit members assigned to SWAT shall be paid a maximum of ~~five (5)~~ **four and one-quarter (4.25)** hours per month at the rate of one and one-half (1-1/2) time.

13.13~~18~~ Field Training Officer Compensation

Effective July 1, 2005, the pay for unit members assigned to Field Training Officer shall be five percent (5.0%) of the top salary step of rank.

~~13.19 Equestrian Officer Compensation~~

~~Effective April 1, 2004, employees assigned to perform equestrian responsibilities shall be paid two hundred dollars ($200.00) per month for food, routine veterinary care, and general maintenance costs of animal, and shall be paid ten (10) hours per month, at the rate of one and one half (1 1/2) time, for time spent on off duty time for the care, maintenance, and training of animal. The City shall assume all associated costs of up to five thousand dollars ($5,000.00), if an animal suffers injury or death while on duty and performing assigned duties.~~

~~13.20 Master Officer Program~~

~~Master Officer Program – Purpose, Pay, And Certification~~

~~Effective July 1, 2005, the City will implement a Master Officer Program. The purpose of the Master Officer Program is to provide additional career opportunities, and to provide the Department with officers that have a broader base of experience and skill sets. A Master Officer shall receive special departmental certificate of recognition in addition to the supplemental pay.~~

~~Master Officer Pay will be five percent (5.0%) of the top salary step of rank.~~

~~Eligibility~~

~~To be eligible for Master Officer Certification, a unit member must meet the following minimum qualifications:~~

- ~~At least 5 years of patrol work;~~
- ~~Advanced POST Training Certificate;~~

- ~~At least six (6) years of service in at least two (2) of the following specialties for a minimum period of 18 months each to the extent these specialties continue: Bicycle, Canine, CNT, CPO, DUI, EOD, FTO,GSET, Lodi One, PIO, Range master, SJRTD, SRO, STOP, SWAT, VCST, Traffic Unit, (Mobile Field Force effective July 1, 2006), and other full-time assignments approved in writing by the Chief of Police; except that service in Homicide, CASA, Narcotics, Vice, and Burglary shall count for all six (6) years of the requirement;~~

- ~~The service in a specialty must be satisfactory as determined by the Chief; and a year of concurrent service in two (2) or more of the areas can only count as one (1) year of service.~~

~~Continuation Of Certification~~

~~Master Officer Certification is a privilege and distinction, not a right. Therefore, to continue Master Officer Certification, a unit member must maintain at least satisfactory departmental service as reflected in various performance evaluations, as finally approved by the Chief. Failure to maintain at least satisfactory status will automatically result in the loss of the Master Officer Certification.~~

13.14~~21~~Bilingual Pay

Effective July 1, 2005, the pay for qualified and approved bilingual skill will be two and one-half percent (2.5%) of the top salary step of rank.

To be eligible for this differential pay, an officer must be certified to meet the functional needs of the Department. The Chief of Police has the sole discretion in determining the number of officers needed for bilingual services, the languages that will be recognized, and the functional language skills needed for the Department.

13.15~~22~~Acting Pay

Any employee who is assigned by proper authority to work in a higher paid classification and who performs a majority of the duties of that higher position shall receive that rate of pay in a step of the higher classification which would have been received if the employee had been promoted into that classification.

SECTION 14. INSURANCE PLANS

14.1 Health Insurance And Related Benefits

a. Choice of Health Plans. Employees in this bargaining unit shall have a choice of enrolling themselves and their eligible dependents in any of the City sponsored medical, dental and vision plans. Each plan shall offer an Employee only, Employee plus One and Employee plus two or more dependents coverage. The City shall offer two or more medical plans to regular employees. As soon as administratively possible after the ratification and adoption of this MOU by the City Council, an HMO (Kaiser) will be added as a plan choice for employee's in this unit.

b. Eligibility. Employees shall become eligible for Medical insurance on the first day of the month subsequent to completion of thirty (30) days of continuous service with the City. Employees shall become eligible for Dental insurance on the first day of the month subsequent to completion of sixty (60) days continuous service with the City. An eligible employee and eligible dependent may be enrolled in a City offered medical plan either as a subscriber in a City offered medical plan or, as the dependent spouse/registered domestic partner or another eligible City employee, but not both. If an employee is also eligible to cover their dependent child, the child will be allowed to enroll as a dependent on only one employee plan (i.e., an employee and his or her dependent cannot be covered by more than one City-offered health plan).

c. City Contribution Towards the Cost of Insurance Programs. Effective September 1, 2011:

(1) The City shall contribute up to $481.00 per month toward the cost of the monthly premium for employee-only medical/dental/vision plan coverage.

(2) The City shall contribute up to $875.00 per month toward the cost of the monthly premium for employee plus one dependent medical/dental/vision plan coverage.

(3) The City shall contribute up to $1165.00 per month toward the cost of the monthly premium for employee plus two or more dependents medical/dental/vision plan coverage.

These contributions are based on full-time employment; regular part-time employees shall receive a prorated contribution based on their percentage of full-time employment. Insurance plan premiums that exceed the City's monthly contribution shall be paid by the employee through payroll deductions. The City shall maintain its IRS 125 Plan to allow for employee contributions for medical/vision/dental to be pre-tax premium conversion.

d. Plan Rules. Employees may insure themselves and their eligible dependents under the medical/vision and dental plans provided by the City, in accordance with the rules and regulations applicable to the selected Plan. Benefits in the Plan shall be in accordance with the Plan document.

e. Plan design changes to the City's Modified Plan for employees are effective September 1, 2011 (see Appendix B for details of Plan modification).

f. It is understood that a coalition of the City's unions, including SPOA, are exploring the possibility of providing a health plan for all city employees and retirees, independent from the City. On or before October 1, 2012, the Unions shall notify the City of whether they in fact are proposing to assume the provision of medical plans for employees and retirees. Should the City and unions in fact agree upon the unions administering their own plan, the terms of that assumption shall be established through meet and confer, as set forth in the Appendix C. The terms of such plan, once agreed upon shall supersede this section to the extent inconsistent, provided the City's contribution to such plan for active employees in this unit shall not exceed the maximum contributions set forth subsection c.

~~14.1 Health Insurance and Related Benefits for Active Employees~~

~~A. The City will provide for hospitalization, medical, dental/orthodontic, prescription and vision benefits. Effective upon agreement, the City will contribute all premiums necessary for these benefits for the term of this Memorandum of Understanding. Effective November 1, 1993, the medical plan for active employees is the City's Modified Employee Medical Plan ("Plan") which is summarized on Appendix B attached hereto.~~

~~The Plan utilizes a Preferred Provider Organization ("PPO") network for hospitals, physicians, laboratories, and other medical providers; the PPO network for the City shall be Blue Cross (Prudent Buyer).~~

~~Employees shall become eligible for hospitalization and medical care benefits on the first day of the month subsequent to completion of thirty (30) days continuous service with the City.~~

~~Effective January 1, 1993, the City will also provide for hospitalization, medical, dental/orthodontic, prescription and vision benefits to the surviving spouse and children of an officer killed in the line of duty. These benefits shall discontinue upon the remarriage of the officer's surviving spouse. This medical coverage shall be secondary at age sixty five (65).~~

~~B.~~ ~~**Employee** Medical Insurance **Contribution** Effective **July 1, 2009**January 1, 2006~~

~~**FROM SIDE LETTER:** Each employee shall contribute one hundred dollars ($100.00) monthly, via payroll deduction, authorized by the employee in writing, towards the monthly health insurance cost (hospitalization, medical, dental, prescription, and vision). The City shall pay the balance of the monthly cost.~~

~~f.~~ ~~City Employees may opt out of the City's health care plan only if covered by another health care plan.~~

~~Effective January 1, 2006, and each year of this Agreement, the City shall contribute eighty percent (80%) of any increase associated with the monthly health insurance premium (hospitalization, medical, dental, prescription and vision). The unit member shall contribute the remaining twenty percent (20%) of the monthly premiums increase, up to a maximum of one percent (1.0%) of top salary step for Police Officer.~~

~~C.~~ ~~Dental~~

~~The City shall pay the annual dental maximum benefit of one thousand four hundred dollars ($1,400.00).~~

~~Employees shall become eligible for dental care benefits on the first day of the month subsequent to completion of sixty (60) days continuous service with the City.~~

~~D.~~ ~~Orthodontic~~

~~The City shall pay the orthodontic lifetime maximum benefit of two thousand dollars ($2,000.00).~~

~~E.~~ ~~If it is the decision of the Union to select other than the present carrier(s) for any of the above benefits, the City shall continue its contribution~~

~~amount limited to and not to exceed that for its current designated plan. Insured retirees shall be assigned to the carrier(s) selected. The retirees will move to the Modified Employee Medical Plan, effective July 1, 1994.~~

14.2 Retirement Medical Allowance

a. **Eligibility.**

An eligible retiree and eligible dependent may be enrolled in a City offered medical plan either as a subscriber in a City offered medical plan or, as the dependent spouse/registered domestic partner or another eligible City employee/retiree, but not both. If an employee/retiree is also eligible to cover his/her dependent child, the child will be allowed to enroll as a dependent on only one employee or retiree's plan (i.e., a retiree and his or her dependent cannot be covered by more than one City-offered health plan). The City does not provide any retiree medical program, allowance, or City contribution for employees hired on or after July 1, 2011.

b. **City Contribution for the Period of July 1, 2012 – June 30, 2013.**

The City shall provide to employees retiring from the City the following contribution towards the cost of retiree medical insurance from July 1, 2012 through June 30, 2013:

1. Employees retiring with over 10 years of full time service with the City of Stockton as a regular employee shall receive a City contribution of $150 a month towards the cost of retiree medical insurance.

2. Employees retiring with over 20 years of full time service with the City of Stockton as a regular employee shall receive a City contribution of $300 a month towards the cost of retiree medical insurance.

3. Employees retiring with over 30 years of full time service with the City of Stockton as a regular employee shall receive a City contribution of $450 a month towards the cost of retiree medical insurance.

4. Employees with less than 10 years of service for the City shall not be eligible for a city contribution towards retiree medical.

5. **Benefits for part time employees who retire are prorated based on their full time equivalent.**

6. **The City contributions shall end with the death of the retiree and no survivor benefits are provided.**

7. **a. Retirees may enroll themselves or their dependents at their own expense in City sponsored medical plans only (dental and vision are not offered to retirees). The City reserves the right to set benefit levels in medical plans for retirees and at its exclusive option only provide fully insured plan choices to retirees for enrollment. The City reserves the right to discontinue inclusion of retirees in City sponsored medical plans at any time.**

   b. The City's commitment to provide retiree medical benefits during the 2012-2013 fiscal year is to the retiree and shall end upon the death of the retiree. Surviving spouses shall not be eligible for any City paid benefit after the death of the City retiree. Any benefits previously paid to surviving spouses have been paid in error and without the approval of the City Council.

   c. Elimination of Retiree Medical Program effective June 30, 2013.
   Effective June 30, 2013, the City shall no longer provide a contribution towards the cost of retiree medical insurance for current employees (future retirees) and current retiree.

~~14.2 Retiree Medical Benefit Allowance For Unit Members Employed Before July 1, 2007~~

~~A. Eligibility For Retiree Medical Benefit Allowance Until Age 65~~

~~Subject to the provisions of this Section, effective April 1, 1983, the City shall pay a premium for the purpose of providing hospital-medical and prescription benefits under the City's insurance plans for each City employee employed before July 1, 2007, who has retired. Such coverage shall include one (1) eligible dependent and the following provisions shall apply:~~

~~1. Normal Service Retirement. Eligibility for the allowance provided by this Section is limited to employees employed before July 1, 2007, who have retired subsequent to October 1, 1980, and who have retired at age fifty (50) or later. Such allowance shall~~

~~terminate at age sixty-five (65) or at the age when eligible for Medicare, whichever occurs later.~~

~~2. Disability Retirement. Eligibility for the allowance provided by this Section is limited to employees employed before July 1, 2007, who have retired subsequent to October 1, 1980, and such allowance shall be limited to a maximum of fifteen (15) years or the attainment of age sixty-five (65), whichever occurs first.~~

~~B. Supplemental Retiree Medical Benefit Allowance And Coordination With Medicare After Age 65~~

~~An employee retiring on or after August 1, 1998, and eligible for a retiree medical insurance allowance as provided in this section, shall continue to be eligible to participate in the City's medical plan for retired employee and one (1) eligible dependent when both persons reach age sixty-five (65) or at the age when eligible for Medicare, whichever occurs later. The City's retiree medical insurance plan shall be supplemental and secondary to Medicare medical coverage or any other medical benefit coverage available to the retired employee and eligible dependent.~~

~~Each retired employee and each spouse are required by the City to apply for Medicare Part A and Part B coverage and to accept Medicare coverage if eligible, upon reaching age sixty-five (65) or the age of eligibility for Medicare, whichever occurs later. Those retiring after July 1, 2006, who must pay a premium to Medicare in order to obtain Part A coverage, will be reimbursed by the City for their Medicare Part A premium. The City's medical coverage shall continue on a coordinated basis with the City as a secondary payer after Medicare pays as the primary provider.~~

~~There may be occasions when paying the premium cost for Medicare Part A may not be in the City's best interest or the retiree may not be eligible. If such circumstances exist, the City's supplemental medical plan would then be the primary coverage plan.~~

~~The City reserves the right to terminate reimbursement payments for Part A Medicare coverage, in which event the retiree will receive the City's modified medical plan as the primary health coverage, with the premiums for such coverage to be paid by the City. The coverage provided pursuant to this section shall apply to the retiree and his/her spouse.~~

~~C. Major Medical Deductible~~

~~Effective July 1, 1994, the major medical deductible will be one hundred and fifty dollars ($150.00) per person per calendar year.~~

~~D. Amount Of Retiree Medical Benefit Allowance For Unit Members Employed Before July 1, 2007, And Who Retire Before July 1, 2012~~

~~The amount of the retiree medical insurance allowance for unit members employed before July 1, 2007, and who retire before July 1, 2012, shall consist of the full entitlement under the above Sections 14.2 (A) and (B).~~

~~E. Limit On City's Retiree Medical Benefit Allowance For Unit Members Employed Before July 1, 2007, Who Retire After June 30, 2012, And Subsidy Of Premiums From Trust~~

~~1. Limit On City's Allowance After June 30, 2012~~

~~Unit members employed before July 1, 2007, and who retire after June 30, 2012, will receive from the City a retiree medical insurance allowance limited to the cost of the medical insurance premium as of June 30, 2012.~~

~~Notwithstanding the expiration date of June 30, 2010 for this Agreement, the parties agree that the City's contribution for healthcare premiums shall be capped effective July 1, 2012, and shall not increase. Any cost increase in healthcare premiums effective July 1, 2012, shall be the responsibility of the member and/or retiree electing healthcare coverage through the City.~~

~~2. Premium Subsidy~~

~~However, those individuals employed before July 1, 2007, who retire after June 30, 2012, will be eligible for retiree medical insurance premium subsidies payable to the City's health plan from the Retiree Medical Trust Fund, as set forth below in subsection 14.4.~~

14.3 Alternative Retirement Medical Plans

The parties have negotiated that employees may choose to enroll in one or more additional health plans instead of the City Modified Plan (including but not limited to Kaiser Sr. Advantage).

This language sets forth the conditions in which current employees, when they retire from the City and otherwise qualify for a retiree medical benefit from the City as stated in Sections 14.2 and 14.4 of this MOU, may also choose to enroll in City sponsored alternative plans in the same manner as when they were employees, as well as retiree only medical plans. The following conditions shall apply:

(a) If an employee is in a City sponsored alternative plan at the time of retirement, the employee shall be allowed to continue in that Plan. Employees in the union sponsored plans authorized by the City at the time of retirement shall be allowed to continue in that Plan. Employees not in an alternative Plan at the time of retirement shall not be allowed to enroll in any alternative plan except that any retiree may voluntarily enroll in a City sponsored retiree only Plan.

A retiree may only enroll in alternative plans other than the City Modified Plan when:

(a) The retiree selecting plans other than the City's Modified Plan agrees that the City's financial contribution to a premium payment for any other Plan shall not exceed the current contribution amount the City would pay if the retiree is enrolled in the City Modified Plan, and;

(b) The individual retiree will be required to sign a form that indicates agreement with these conditions.

The City reserves the right to eliminate these additional plans and the choice of multiple plans is not a vested right. As with the City Modified Plan, the City reserves the right to make plan design changes as necessary in these Alternative Plans.

14.4 Medicare Supplemental Coverage Requirements only for Employees hired on or before June 30, 2011

The City reserves the right to terminate reimbursement payments for Part A Medicare coverage, in which event the retiree will receive the City's modified medical plan which includes medical design changes effective September 1, 2011 as the primary health coverage, with the premiums for such coverage to be paid by the City. The coverage provided pursuant to this section shall apply to the retiree and his/her spouse. Refer to section 14.2 regarding Elimination of Retiree Medical Plan effective June 30, 2013.

Under the federal Health Care Reform Plan, sponsors may modify the medical benefits provided to retirees only. The City will modify its retiree health care plan to reflect the following:

(a) Return Plan benefits for Acupuncture to 12 visits per year (instead of unlimited) and returns the payment percentage paid to 60% (instead of 80%);
(b) Return Plan benefits for Alcohol and Drug Treatment admissions to 30 days and 3 lifetime admissions (instead of unlimited);
(c) Return Plan benefits for Outpatient Mental Health or Nervous Disorder services to 15 visit maximum (instead of unlimited);
(d) Change Plan benefits for Preventative care and wellness to 80% instead of current 100%;
(e) Return Plan benefits on the lifetime cap on plan benefits to $2.5 million (instead of unlimited);
(f) Return Plan benefits on the maximum age of dependent children to be enrolled in the Plan to age 19 unmarried, and not serving in the armed forces to 23 if attending school full time and qualifies as a dependent for federal income tax purposes.(instead of age 26);
(g) Change Plan benefits for Emergency room benefits.

If portions or whole of the Federal Affordable Care Act is modified subsequent to the adoption of this memorandum of understanding, the City and POA will meet and confer over any identifiable negotiable impact to those modifications.

~~14.3 Defined Contribution For Retiree Medical For Unit Members Hired On Or After July 1, 2007~~

~~**Note: Language from September 10, 2007 Side Letter noted in BOLD below.**~~

~~For unit members hired on or after July 1, 2007, the City will establish a defined contribution for retiree medical that operates through a Retiree Medical Trust ("Trust").~~

~~**City monthly contribution of $108.63 for each unit member, and an** employee contribution of~~ **$162.56.** ~~three (3.0%) percent of the base salary, and a City contribution of two (2.0%) percent of base salary. The contributions will be paid into the Retiree Medical Trust. Provisions for the distributions of premium subsidies from the Trust are contained in Section 14.4.~~

~~These unit members will not be eligible for either the regular Retiree Medical Allowance (to age 65) or the Supplemental Allowance (after age 65) as set forth in Section 14.2 of this Agreement.~~

~~14.45 No Retirement Medical Allowance Requirements~~

~~14.4 Retiree Medical Trust~~

~~A. Establishment Of Retiree Medical Trust~~

~~As soon as practicable, the City will establish a Retiree Medical Trust ("Trust") that will be governed by Trustees selected by the unit members and the City for purposes of receiving employee and City contributions, and for paying a monthly distribution to the City's health plan to subsidize premiums on behalf of eligible retirees retiring after June 30, 2012.~~

~~B. Tax Issues~~

~~The City will seek an IRS ruling so that employee and City contributions will be pre-tax, including the contribution of employee accrued sick leave pay-off. The City will also seek tax-exempt status for the Trust's earnings and the benefits paid from the Trust.~~

~~C. Required Contributions To The Retiree Medical Trust~~

~~Note: Language from September 10, 2007 Side Letter noted in BOLD below.~~

~~1. Contributions To The Trust For Unit Members Hired Before July 1, 2007, Regardless Of Retirement Date~~

~~For purpose of this section, "base salary" as defined in this paragraph shall refer to the top salary step for a Police Officer.~~

~~Effective with the first pay period for July 2007, or as soon thereafter upon establishment of the Trust, the City will contribute two percent (2.0%) of the June 30, 2007 base salary, or $108.**376 per month**, into the Trust for each unit member hired prior to July 1, 2007, and the employee **will** shall contribute an additional one percent (1.0%) of the June 30, 2007 base salary, or $54.**198 per month**, for a total City and employee **monthly** contribution of **$162.54** three percent (3.0%) into the Trust, with an increase each fiscal year based on the May Consumer Price Index ("CPI") for Urban Wage Earners' and Clerical Workers' U.S. City Average. The CPI shall be a minimum of two and one half percent (2.5%); and a maximum of six percent (6.0%).~~

~~(Refer to changes made in Section 13.13~~**~~(f)~~** ~~"Deferred Compensation"~~ **~~of this Agreement~~** ~~regarding~~ **~~City paid contribution to the Deferred Compensation Plan of four percent (4%) of the employee's current base salary shall be reduced by \$108.36 per month per unit member.)~~** ~~the reduction of the City's contribution by two percent (2.0%).)~~

~~2. Contributions To The Trust For Unit Members Hired On Or After July 1, 2007~~

~~Note: Language from September 10, 2007 Side Letter noted in BOLD below.~~

~~For purpose of this section, "base salary" as defined in this paragraph shall refer to the top salary step for a Police Officer.~~

~~As required by Section 14.3 and effective with the first pay period for July 2007, or as soon thereafter upon establishment of the Trust, the City will contribute~~ **~~\$108.36 per month~~** ~~two percent (2.0%) of the June 30, 2007 base salary, or \$108.37, into the Trust for each unit member hired on or after July 1, 2007, and the employee shall contribute an additional three percent (3.0%) of the June 30, 2007 base salary, or \$162.56~~ **~~per month~~**~~, for a total City and employee contribution of~~ **~~\$270.92~~** ~~five percent (5.0%) into the Trust, with an increase each fiscal year based on the May Consumer Price Index ("CPI") for Urban Wage Earners' and Clerical Workers' U.S. City Average. The CPI shall be a minimum of two and one half percent (2.5%); and a maximum of six percent (6.0%).~~

~~D. Distributions From The Trust To Subsidize Retiree Medical Benefit Premiums~~

~~Beginning July 1, 2012, the Trust will make monthly distributions payable to the City's health plan on behalf of eligible retirees to subsidize the retiree premiums for City medical insurance.~~

~~1. Distribution For Those Hired Before July 1, 2007, And Retiring After June 30, 2012~~

~~For unit members hired before July 1, 2007, who retire after June 30, 2012, the amount of any distribution will be determined solely by the amount of the funds available to actuarially support the distribution, and maintain an actuarially sound fund balance. This distribution will vary to some extent with each retiree depending on:~~

- ~~the time of retirement;~~
- ~~the amount of the individual's contributions to the Trust; and~~
- ~~the funds' actuarial status.~~

~~The Board of Trustees will establish the amount of the monthly distribution that will be expressed as a percentage of the individual retiree's premium cost above the City's base payment. The Board's goal will be to keep those percentages within a ten percent (10%) range of each other.~~

~~For example, suppose in 2015 that the total premium cost is $1,500 per month and the City's base payment is $1,000 of that total, and the monthly distribution to individual retiree A is $250; then the Trust's distribution percentage is 50% of A's premium cost above the City's base. ($250 is 50% of the difference between the $1500 and the $1,000.) Suppose also that retiree B's monthly distribution from the Trust is $225, or 45% of B's premium cost above the City's base. ($225 is 45% of the difference between $1,500 and $1,000.) The Trust's distributions to A and B are within the 10% band of each other when reduced to percentages (B's 45% is within a 10% range of A's 50%).~~

~~2. Distribution For Unit Members Hired After July 1, 2007~~

~~For unit members hired after July 1, 2007, the amount of any distribution will depend entirely on the amount of the employee and City contributions.~~

~~E. Non-Vesting~~

~~The amount of the distribution is not a vested right under any circumstances. A distribution level may be reduced, discontinued, or interrupted by the Board of Trustees upon determination of insufficient funds to support the current level of distributions. Under no circumstances may the Trust reduce the distribution below a monthly amount that can be supported actuarially by the employee's mandatory contributions.~~

~~F. Eligibility For Trust Distributions~~

~~Unit members hired before July 1, 2007, who retire before July 1, 2012, are not eligible for distributions from the Retiree Medical Trust.~~

~~To be eligible for any monthly distribution from the employer's contribution to the Trust, a unit member must have retired after June 30, 2012, must have made contributions to the Trust while employed. In addition, for those employed after July 1, 2007, eligibility shall include at least fifteen (15) consecutive years of City service, which includes time credited under City reemployment rights.~~

~~Upon leaving the service of the City without satisfying these criteria, the unit member will be eligible to receive in benefit only the amount of his or her employee contributions to the Trust plus interest, as reasonably calculated by the Trustees, toward reimbursement of premiums.~~

~~G. Trust Structure And Governance~~

~~There shall be eight (8) voting Trustees, four (4) elected by participating labor organizations and four (4) selected by participating employers, as follows:~~

~~1. The labor Trustees shall include three (3) elected by participating employees and one (1) designated by the Stockton Police Officers' Association.~~

~~2. The employer Trustees shall include the Director of Human Resources and the Chief Financial Officer of the City of Stockton, and two appointed by the City Manager of the City of Stockton, at least one (1) of whom shall be an employee of the City of Stockton. The City Manager shall have the power to relinquish two (2) Trustee positions to other participating employers, by giving notice in writing to the Trustees.~~

~~The Board of Trustees will be responsible for all issues of governance including plan design within parameters established by this MOU, the selection of the professional investment manager and other professional services, and the selection of investment vehicles. The Trustees shall manage the Trust for the exclusive benefit of the participating employees and retirees.~~

14.5 Retiree Medical Trust

The City will cooperate with the SPOA to amend the documents related to the SPOA Retiree Medical Trust ("RMT") to reflect that the City relinquishes all of its right to designate any trustees under the RMT and any and all rights, obligations, or responsibility under the RMT so that only the SPOA designated Trustees will administer the RMT.

The City has no objection to the transfer of all current assets in the RMT to another trust (the "Receiving Trust") selected by the SPOA designated RMT Trustees so long as the Receiving Trust agrees to hold those assets for the exclusive benefit of eligible retirees. Further, the SPOA and the City agree that the transfer of assets will be contingent on the SPOA and Receiving Trustees agreeing that on and after the transfer of the assets of the RMT to the Receiving Trust (i) the City's only obligation with respect to such Receiving Trust will be to make any agreed upon contributions to the Receiving Trust, and (ii) the SPOA and the Receiving Trustees further agree. that on and after the transfer of the assets of the RMT to the Receiving Trust, to indemnify and hold harmless the City and the City designated trustees from any claim whatsoever by the SPOA, any unit member, or any beneficiary of the Receiving Trust with respect to the Receiving Trust. Such claims include, but are not limited to, (i) any claim for benefits under the Receiving Trust or any plan funded by the Receiving Trust, (ii) any claim regarding the administration of, or fiduciary duties under, the Receiving Trust, (iii) any claim regarding the tax treatment of contributions to the Receiving Trust (so long as the City complies with applicable federal law and guidance from the Internal Revenue Service), and (iv) any claim regarding the terms of the Receiving Trust or selection of trustees.

The City's obligation to contribute to the RMT has ceased. The City agrees to meet and confer at the request of the SPOA with regard to a contract amendment for employee contributions to be made to the Receiving Trust to provide medical care benefits for retirees in a manner that will make the employee contributions excluded from employee's income tax whether that means they will be by salary reduction whereby the employee forgoes salary in exchange for the contribution or salary deduction whereby the employee contribution is deducted from the employee's paycheck . No contributions will be made to the Receiving Trust until the tax consequences of such employee contributions to such Receiving Trust are resolved.

The rights of unit members to distributions and amounts of those distributions from the RMT or the Receiving Trust shall be determined under the terms of the trust plan document and Section 14.4 of the prior labor agreement except to the extent modified by this Agreement.

14.~~5~~6. Life Insurance

Effective ~~January 1, 2000~~ **July 1, 2012,** the City shall provide each employee group term life insurance coverage ~~equal~~ **with a face value of fifty thousand dollars ($50,000.00)** ~~their annual salary rounded to the nearest one thousand dollars ($1,000.00)~~.

14.~~6~~7 Long Term Disability Insurance

~~Effective January 1, 1999, the City shall contribute to the Association the amount of twenty dollars ($20.00) per month per employee for the purpose of purchasing~~

~~a Preferred Long Term Disability Program selected by the Association in lieu of providing long term disability coverage through the City's Long Term Disability Program.~~

Effective July 1, 2012, the City shall reduce the base pay of employees in this unit by twenty dollars ($20.00) per month, and instead shall provide to each bargaining unit member twenty dollars ($20.00) per month for the purpose of purchasing Long Term Disability Insurance. The Association recognizes and agrees that it is their responsibility for purchasing a Preferred Long Term Disability Program for its represented employees or otherwise investing such payments pursuant to this section as it deems appropriate.

~~Effective January 1, 1999, the amount of twenty dollars ($20.00) shall be converted to base pay for all represented employees as best fitted to the City's Salary Schedule Matrix.~~

SECTION 15. SALARY PLAN

15.1 Salary

During the term of this agreement there shall be no salary increases. Effective July 1, 2012, salaries for classifications in this unit shall be as attached in Appendix A.

15.~~1~~2 Salary Ranges

The salary ranges for all classifications in the aforementioned representation unit will be as set forth in Appendix A, which are attached hereto and made a part hereof. The rates of pay set forth in the Appendix A, represent for each classification the standard rate of pay for full-time employment, effective on the dates noted in the Appendices, unless the schedule specifically indicates otherwise.

15.~~2~~3 Salary Upon Appointment

Except as herein otherwise provided, the entrance salary step for a new employee entering the classified service shall be the minimum salary step for the class to which appointed. When circumstances warrant, the City Manager may approve an entrance salary, which is more than the minimum salary step for the class to which that employee is appointed. Such a salary may not be more than the maximum salary for the class to which that employee is appointed.

15.~~3~~4 Salary Equivalents

Any monthly, daily or hourly rate of pay may be converted into any equivalent rate of pay or to any other time bases when in the judgment of the City Manager, such a conversion is advisable. In determining equivalent amounts on different time bases, the City shall provide tables or regulations for the calculation of payment for service of less than full-time, and for use in converting monthly salaries to hourly rates, as well as for calculating hourly rates.

15.5 Effective July 1, 2005 – Salary Step Plan – Police Officers Appointed On Or After January 1, 1999

There ~~shall~~ were ~~be~~ nine (9) salary steps for the classification of Police Officer, however, salary steps 1, 2, and 3 for Police Officers ~~shall be~~ were eliminated ~~after the~~ effective ~~date of this plan~~ July 1, 2012~~. Any and all references in this plan to steps 1-3 for Police Officers shall be adjusted accordingly.~~ There shall be six (6) salary steps for the classification of Police Sergeant. Eligible employees will be moved to the next step every 12 months. Any reference in this ~~plan~~ MOU to a different schedule for step increase shall be adjusted accordingly. In a case where a person possesses unusual qualifications, the City Manager may authorize appointment above the first salary step after receiving the recommendation of the department head. The same provisions shall apply to hourly-paid and part-time persons.

All step references below are to the salary schedule for the Police Officer classification. Non-Sworn Police Officer Trainees are hired at the rate identified in the single step salary classification for Police Officer Trainee.

The first salary step shall be the minimum salary rate and shall be the normal hiring rate for the classification of ~~Non-Sworn~~ Police Officer ~~Trainee~~.

The second salary step shall be paid upon the employee's satisfactory completion of twelve (12) months service at the first salary step and upon the written recommendation of the department head. ~~Trainee's passing all the requirement of the Basic Officer Academy and the transfer to Sworn Officer status.~~

The third salary step shall be paid upon the employee's satisfactory completion of twelve (12) months service at the second salary step and upon the written recommendation of the department head.

The fourth salary step shall be paid upon the employee's satisfactory completion of twelve (12) months service at the third salary step and upon the written recommendation of the department head.

The fifth salary step shall be paid upon the employee's satisfactory completion of twelve (12) months service at the fourth salary step and upon the recommendation of the department head.

The sixth salary step shall be paid upon the employee's satisfactory completion of one (1) year of service at the fifth salary step and upon the recommendation of the department head.

~~The seventh salary step shall be paid upon the employee's satisfactory completion of one (1) year of service at the sixth salary step and upon the recommendation of the of the department head.~~

~~The eighth salary step shall be paid upon the employee's satisfactory completion of one (1) year of service at the seventh salary step and upon the recommendation of the department head.~~

~~The ninth salary step shall be paid upon the employee's satisfactory completion of twelve (12) months of service at the eighth salary step and upon the recommendation of the department head.~~

Regardless of an employee's length of service, salary step advancements in any given class may be made upon recommendation of the department head with the approval of the City Manager, but not above Step 3 for a given range.

Salary step increases shall be effective the first day of the pay period following appointment or revision. If the date of appointment or revision is the first day of a pay period, salary step increases shall be as of that date.

If a department head recommends to withhold salary increases ~~from salary steps two (2) through nine (9)~~ because an employee has not achieved the level of performance required to the position, the recommendation of notice must be received by the City Manager at least four (4) weeks in advance of the employee's eligibility date. The affected employee shall be furnished a copy of the department head's recommendation.

Changes in an employee's salary because of promotion, demotion, postponement of salary step increase or special merit increase will set a new salary anniversary date for that employee, which date shall be as stated in the preceding paragraph.

Salary range adjustments for the classification will <u>not</u> set a new salary anniversary date for employees serving in that classification.

15.~~5~~6 Salary Step Plan – Non-Sworn Police Officer Trainee Status

An employee with only the status of Non-Sworn Police Officer Trainee shall be paid at Step 1 of the salary range. Upon passing all the requirements of the Basic Peace Officer Academy and transfer to the sworn position of Police Officer, the employee shall be paid at Step 2 of the salary range of Police Officer. The Trainee shall not qualify for Safety status while in the Academy.

15.~~6~~7 Salary Step After Military Leave

All employees who have been granted a military leave shall, upon their return to the City service, are entitled to the automatic salary advancements within the range scale of the established wage schedule of their classifications for the period they were in the military service.

15.~~7~~8 Salary Step When Salary Range Is Increased

Whenever the monthly schedule of compensation for a class is revised, each incumbent in a position to which the revised schedule applies shall be entitled to the step in the revised range which corresponds to the employee's step held in the previous range, unless otherwise specifically provided by the City Manager.

15.89 Salary Step After Promotion or Demotion

When an employee is promoted from a position in one class to a position in a higher class, and at the time of promotion is receiving a salary equal to, or greater than, the minimum rate for the higher class, that employee shall be entitled to the next step in the salary scale of the higher class which is approximately five percent (5%) but in no case less than four percent (4%) above the rate he has been receiving, except that the next step shall not exceed the maximum salary of the higher class. When an employee is demoted, whether such demotion is voluntary or otherwise, that employee's compensation shall be adjusted to the salary prescribed for the class to which he is demoted, and the specific rate of pay within the range shall be final.

15.910Salary On Reinstatement

If a former employee is reinstated in the same position previously held or to one carrying a similar salary range, his salary shall not be higher than his salary at the time of his separation unless there has been an increase within the salary range.

~~15.10 Market Salary Survey~~

~~The City and the Association agree to conduct a joint "total compensation" survey of six (6) agencies above and six (6) agencies below the population of the City of Stockton, as determined by the most updated publication of the U.S. Bureau of the Census or a State of California Department of Finance publication, whichever is most current. The purpose of the survey shall be to determine the City's position among the agencies surveyed and enable the City to make such adjustments as may be necessary to bring the City to a position at the bottom of the top one-third (1/3) of agencies surveyed.~~

~~The first survey shall be applied January 1, 2006, as set forth in Appendix A. The second survey will be applied in conjunction with the July 1, 2008, salary adjustment listed in Appendix A.~~

~~The City and the Association agree to begin the joint total compensation survey on October 1, 2005, for the adjustment to be made effective January 1, 2006, and May 1, 2008, for the adjustment to be made effective July 1, 2008.~~

~~For purposes of the survey, "total compensation" shall consist of the top step of base salary for the position of Police Officer, plus the dollar equivalent value of the following benefits: City paid employer and employee P.E.R.S. contributions; City paid deferred compensation contributions; City paid contributions to retiree medical for other than the pay as you go amount for current retiree (beginning with 2008 study); the City cost to provide the City health (employee + family~~

~~coverage), dental, vision, life insurance, long-term disability; City paid uniform allowance, P.O.S.T. intermediate certificates, holidays, vacation, sick leave, educational incentive pay, longevity pay at sixth year of service, and any other specialty pay affecting 50% of the unit members. To the extent possible, comparisons with the surveyed agencies shall be made between like positions and benefits.~~

~~Application Method For Market Salary Survey July 1, 2008~~

~~Examples of how this provision shall be applied on July 1, 2008, is as follows: If the total compensation survey conducted in 2008 indicates that as of July 1, 2008, it would take an increase of five percent (5.0%) to bring total compensation (as defined in this section) to a position at the bottom of the top one third (1/3) of the surveyed agencies, the Association's members would receive on July 1, 2008, a two and one-half percent (2.5%) increase as set forth in Appendix A based on the CPI percentage, plus an additional two and one half percent (2.5%) increase as a result of this section. If, on the other hand, the total compensation survey conducted in 2008 indicates that as of July 1, 2008, it would take an increase of two percent (2.0%) to bring the total compensation figure to a position at the bottom of the top one-third (1/3) of the surveyed agencies, the Association's members would receive on July 1, 2008, a two and one-half percent (2.5%) increase as set forth in Appendix A based on the CPI percentage, but no additional increase as a result of this section.~~

~~All Market Salary Survey adjustments shall be calculated to the nearest one-tenth of one percent, and shall be made at the first step of the salary range for each classification covered by this Memorandum of Understanding~~

SECTION16. RESIDENCY

All sworn public safety officers in the employ of the City of Stockton shall reside within a geographic area from which they can reach City Hall within forty-five (45) minutes.

SECTION 17. SEVERABILTY OF PROVISIONS

In the event that any provision of the Memorandum of Understanding is declared by a court of competent jurisdiction to be illegal or unenforceable, that provision of the Memorandum of Understanding shall be null and void but such nullification shall not affect any other provisions of this Memorandum of Understanding, all of which other provisions shall remain in full force and effect.

SECTION 18. PAST PRACTICES AND EXISTING MEMORANDUA OF UNDERSTANDING

Continuance of working conditions and practices not specifically authorized by ordinance or by resolution of the City Council is not guaranteed by this Memorandum of Understanding.

This Memorandum of Understanding shall supersede all existing Memoranda of Understanding between the City and the Association.

SECTION 19. SCOPE OF AGREEMENT

Except as otherwise specifically provided herein this Memorandum of Understanding fully and completely incorporates the understanding of the parties hereto and constitutes the sole and entire agreement between the parties on any and all matters subject to meeting and conferring. Neither party shall, during the term of this Memorandum of Understanding, demand any change therein nor shall either party be required to negotiate with respect to any matter; provided that nothing herein shall prohibit the parties from changing the terms of this Memorandum of Understanding by mutual agreement.

SECTION 20. DURATION

All provisions of this Memorandum of Understanding shall be effective July 1, 2012, and shall remain in full force and effect to and including the 30th day of June, 2014.

SECTION 21. MAINTENANCE OF OPERATIONS

(a) It is recognized that the need for continued and uninterrupted operation of City services is of paramount importance. Therefore, the Association and each employee represented hereby agrees that during the course of negotiations necessary to conclude a successor Agreement to this Memorandum of Understanding, the Association or any person acting in its behalf, or each employee in a classification represented by the Association shall not cause, authorize, engage in, or sanction a work stoppage, slowdown, refusal of overtime work, refusal to operate designated equipment (provided such equipment is safe and sound), or picketing, other than informational picketing, against the City or the individual or concerted failure to report for duty or abstinence from the full and faithful performance of the duties of employment, including compliance with the request of another labor organization or bargaining unit to engage in such activity in an attempt to induce a change in wages, hours, and other terms and conditions of employment.

(b) An employee shall not be entitled to any wages or City paid benefits whatsoever if the City Council, by majority vote, determines to its satisfaction, that the employee is, or has, engaged in any activity prohibited by subsection (a) of this Section. The City may take other action which it deems appropriate.

(c) If the City Council, by majority vote, determines to its satisfaction, that subsection (a) of this Section has been violated by the Association, the City may take such remedial action as it deems appropriate.

(d) The Association recognizes the duty and obligation of its representatives and members to comply with the provisions of this Memorandum of Understanding and to make every effort toward inducing all employees in this unit to fully and faithfully perform their duties. In the event of any activity prohibited by subsection (a) hereinabove, the Association agrees to take supererogatory steps necessary to assure compliance with this Memorandum of Understanding.

SECTION 22. CITY RIGHTS

(a) The Association recognizes that the rights of the City derive from the Constitution of the State of California and the Government Code and not from the Memorandum of Understanding. All matters not specifically addressed in this Memorandum of Understanding are reserved to the City.

(b) The Association recognizes and agrees that the exercise of the express and implied powers, rights, duties and responsibilities by the City, such as, the adoption of policies, rules, regulations and practices, and the use of judgment and discretion in connection therewith shall be limited only by the specific and express terms of this Memorandum of Understanding.

(c) The Association recognizes that the City has and will continue to retain, whether exercised or not, the unilateral and exclusive right to operate, administer and manage its municipal services and work force performing these services limited only by the specific and express terms of this Memorandum of Understanding. The exclusive rights of the City shall include but not be limited to, the right to determine the organization of City government and the mission of its constituent agencies; to determine the nature, quantity and quality of services to be offered to the public and to determine the means of operations, the materials and personnel to be used, the right to introduce new or improved methods or facilities, and to change or alter personnel, methods, means, materials and facilities, to exercise control and discretion over its organization and operations through its managerial employees; to establish and effect rules and regulations consistent with applicable law and the specific and express provisions of this Memorandum of Understanding; to establish and implement standards of selecting City personnel and standards for continued employment with the City; to direct to workforce by determining the work to be performed, the personnel who shall perform the work, assigning overtime and scheduling the work; to take disciplinary action; to relieve its employees from duty because of lack of work or funds; to determine whether goods or services shall be made, purchased or contracted for; and to otherwise act in the interest of efficient service to the community.

In cases of emergency when the City determines that an ordinance, rule, resolution or regulation must be adopted immediately without prior notice or meeting with a recognized employee organization, the City shall provide such notice and opportunity to meet at the earliest practicable time following the adoption of such ordinance, rule, resolution or regulation.

SECTION 23. CONDITIONAL AGREEMENT RE PLAN SUPPORT AND TREATMENT OF CLAIMS

1. Confirmation of Plan. The City agrees to use its best efforts to obtain confirmation of, and to implement, a plan of adjustment ("Plan") that is consistent with the terms of this MOU, or as applicable, its successor MOU. All of the provisions of this Article except 2(c) shall be null and void in the event that the Plan contemplated by this Agreement is not confirmed and does not become effective.

2. SPOA's Claims. SPOA alleges that its members have claims in the bankruptcy case against the City relating to the City's modification of its 2009 Memorandum of Understanding ("2009 MOU"), pursuant to Declarations of Fiscal Emergency beginning on or about May 26, 2010 and continuing in effect thereafter, and in connection with the treatment of the claims of SPOA and its members under the Pendency Plan (collectively, the "Claims"), and that, in the aggregate, the Claims exceed thirteen million dollars ($13,000,000). The City disputes the Claims and contends that the Claims would not be allowed in the chapter 9 case. It further asserts that, if the Claims were allowed, they would be allowed in an amount aggregating less than thirteen million dollars ($13,000,000).

In consideration of resolving the above differences and agreement on the MOU, the City agrees that the Claims shall be provided for in the Plan as follows:

(a) The Claims will be deemed allowed in the chapter 9 case in the aggregate amount of eight million, five hundred thousand dollars ($8,500,000) (the "Allowed Claims"). In consideration for the reduction in the amount of the Claims, SPOA members employed during fiscal year 2010-2011 and/or 2011-2012 shall be credited , upon final approval of the MOU by the Parties and, if necessary, by the Bankruptcy Court, twenty-two (22) additional hours of paid leave in fiscal year 2012-2013. These additional hours of paid leave shall have no cash value and shall be utilized any time prior to the date upon which the SPOA member leaves employment with the City. Only those employees who were employed during some portion of the period July 1, 2010 and July 1, 2012 and who were still current employees upon the effective date of this Agreement shall be entitled to this treatment.

(b) The Allowed Claims shall be satisfied under the Plan by the City by crediting SPOA members employed during fiscal year 2010-2011 and/or 2011-2012, eleven (11) additional paid leave hours in the fiscal year of approval of the Plan and eleven (11) additional paid leave hours in the fiscal year after approval of the Plan. This benefit shall only apply to those employees who were employed during some portion of the period July 1, 2010 and July 1, 2012 and who are current employees as of the date the Plan is approved by the Bankruptcy Court. The total additional paid leave per SPOA member under paragraphs 2(a) and 2(b) of this article shall equal forty-four (44) hours. These additional paid leave hours shall have no cash value, and shall be utilized any time prior to the date upon which the SPOA member leaves employment with the City. It is understood that the provision of these hours shall be the sole compensation for the Claims of SPOA and its members. The additional twenty-two (22) hours additional paid leave credit contained in this paragraph 2(b) shall be contingent upon confirmation of the Plan and on the Plan becoming effective.

(c) Notwithstanding the foregoing, in the event that the Plan is not confirmed and does not become effective, the Claims shall not be allowed as specified herein, and both SPOA and the City agree that the Claims will be considered unresolved, with each Party reserving the right to assert or contest the Claims; provided, however, that the monetary equivalent of any paid leave hours taken pursuant to this Article shall serve as a credit against the Claims.

3. Implementation of 2012-2014 SPOA MOU. The City shall include in its proposed Plan provisions that give effect to, and comport with the terms of this Agreement.

4. Plan Support. SPOA agrees to use its best efforts to support the Plan, the provisions of which include the treatment of the Claims as described above, and which are consistent with the terms of the MOU. SPOA's support for the Plan shall include statements in papers filed in the Bankruptcy Court and in appearances by its counsel in Bankruptcy Court. SPOA shall use its best efforts to cause its members to vote to approve the Plan, to withdraw any proofs of claim they have filed which are inconsistent with the MOU and not object to, or otherwise commence any proceeding against, or take any other action opposing any of the terms of the MOU, the Plan or any disclosure statement filed in connection with the Plan. At the City's request, such support may also include the execution by SPOA of an agreement to recommend that its members vote in favor of the Plan.

5. Further Assurances. The Parties agree to execute and deliver such other instruments and perform such acts, in addition to the matters herein specified, as may be reasonably appropriate or necessary, from time to time, to effectuate the agreements and understandings of the Parties, whether the same occurs before or after the date of this Agreement.

6. Release of Claims. Except for the Parties' respective obligations stated in the MOU, SPOA, on behalf of all employees in its bargaining unit, and the City hereby release and discharge each other, and their respective past or present parents, subsidiaries, successors, predecessors, assigns, and their respective officers, directors, employees, agents, attorneys, and each of them, from and against any and all defenses, claims, demands, losses, damages, and causes of action of whatever kind or nature, whether known or unknown, suspected or unsuspected, which either of them

may now or hereafter have against the other in any way related to the Claims and or Litigation Claims (as such term is defined below). This release shall include, but is not limited to, within thirty days of approval of the Plan, dismissing with prejudice litigation and cross litigation claims ("Litigation Claims") pertaining to San Joaquin County Superior Court case number 39-2010-00245197-CU-WM-STK, San Joaquin Superior Court Case number 39-2010-00253803 and Third Appellate District appellate case numbers C070347 and C068723. These cases shall remain stayed until the occurrence of the effective date of the Plan or the dismissal of the chapter 9 case. The Parties agree to waive any and all claims for attorneys' fees or costs associated with the Litigation Claims.

The Parties, and each of them, hereby waive the provisions of Section 1542 of the California Civil Code, which reads as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his settlement with the debtor.

The Parties, and each of them, understand that if the facts with respect to which this release is given turn out to be different from the facts now known or believed by either of them to be true, each of them expressly assumes the risk of the facts turning out to be different, and agrees that this release shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

This release shall be binding upon and inure to the benefit of the Parties and their respective past or present parents, subsidiaries, successors, predecessors, assigns, and their respective officers, directors, employees, agents, attorneys, including but not limited to all bargaining unit employees, and each of them.

This release shall not apply to any pending disciplinary cases, or grievances pertaining to those disciplinary cases, but shall apply to any lawsuits filed related to those disciplinary cases.

7. Resolution of Dispute regarding the Property at 1132 N. Country Club Rd., Stockton, CA ("the Property"). SPOA shall continue renting the Property to third parties. No SPOA member, family member, agent or person within SPOA's control shall apply to rent the Property.

a) In renting the Property, SPOA shall utilize a licensed third party rental agent not affiliated with SPOA or its agents.

b) SPOA shall sell the Property not later than November 1, 2015, unless this provision is waived in writing by the City.

c) The Property shall be maintained in its present state and SPOA shall exercise its best efforts to ensure that its tenants not interfere with the City Manager's quiet enjoyment of his home.

d) SPOA shall not seek to change the use of the Property as a single family residence (maximum two unrelated adults, or two adults and two children).

e) Notwithstanding the effective date and expiration date of the MOU, this section 7(a) shall be effective November 1, 2012, and shall apply to the SPOA's current efforts to lease the Property. It shall expire upon the sale of the Property, unless otherwise agreed by the Parties.

8. No Admissions. Except to acknowledge responsibility to perform the terms of this Article or to enforce those terms, the Parties agree that nothing contained in this Article or any action taken or the failure to take any action pursuant to this Article ever is to be construed as an admission or evidence tending to establish the validity of either Party's claims, including the initial Claims.

9. Rules of Construction. The Parties agree that any rule of construction to the effect that ambiguities are resolved against the drafting party shall not apply to the interpretation of this Article, since both Parties have reviewed it with counsel of their respective choice. Otherwise, this Article shall be governed by and interpreted in accordance with the law of the State of California and the Bankruptcy Code.

SECTION 24. CONCLUSIVENESS

(a) The specific provisions contained in this Agreement constitute the entire and sole agreement between the City and the Association and shall prevail over existing City ordinances, resolutions, rules and regulations, policies, procedures and practices wherever there is a direct conflict between previous written policies and practices and a specifically contradictory term of this Agreement. Existing written policies, rules, regulations, ordinances and resolutions shall be amended to conform to the terms of this Agreement. Only those policies and practices directly and expressly revised by this Agreement shall be deemed to be modified by this Agreement.

(b) All matters not addressed specifically and expressly by this Agreement are, and shall continue to be, within the exclusive decision-making authority of the City and shall not be in any way, directly or indirectly, subject to any grievance procedure.

(c) This Agreement may be altered, changed, added to, deleted from, or modified only through the voluntary consent of the City and the Association in a written and signed amendment to this Agreement.

APPENDIX A

SALARY SCHEDULE

ADJUSTMENT FOR CALENDAR YEAR 2006

~~**(See Section 15.10 – Market Salary Survey – January 1, 2006)**~~

~~**SALARY ADJUSTMENTS FOR FISCAL YEARS 2007, 2008, and 2009**~~

~~Effective July 1, 2007, July 1, 2008, and July 1, 2009, the Salary Schedule shall provide salary rates according to the following formula:~~

~~Salary adjustments effective July 1, 2007, July 1, 2008, and July 1, 2009, shall be equal to the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers U.S. City Average (CPI-W), for 12-month period preceding the May Index of each fiscal year. The salary adjustments shall be a minimum of two and one-half percent (2.5%) but not to exceed six percent (6.0%). (For example, CPI-W of nine percent (9.0%) would result in a six percent (6.0%) adjustment, and a CPI-W of two percent (2.0%) would result in a two and one-half (2.5%) adjustment.)~~

APPENDIX A

SALARY SCHEDULE

Job Classification	Salary Steps					
	1	2	3	4	5	6
Police Officer	4,970.39	5,225.81	5,494.96	5,776.54	6,074.37	6,385.88
Police Officer Recruit	4,275.10					
Police Officer Trainee	4,275.10					
Police Sergeant	5,876.26	6,179.04	6,495.54	6,829.48	7,180.86	7,549.69

APPENDIX B: City of Stockton Modified Employees Medical Plan with Medical Plan Changes Effective September 1, 2011

Plan Feature	Coverage Amount	
	When Provided by a Participating Provider	When Provided by a Non- Participating
Calendar year deductible *(only Allowable Charges for Covered Services in Article 3 of this document can be applied toward the deductible)*	$500 per person; $1,500 maximum per family	$1,500 per person; $3,000 maximum per family
Calendar year out-of-pocket maximum on Allowable Charges *(only Allowable Charges for Covered Services in Article 3 of this document can be applied toward the out-of-pocket maximum))*	$5,000 per person; $10,000 maximum per family	None
Overall lifetime maximum benefit	None	None
Hospital		
Inpatient confinement	80% of Allowable Charges after a copayment of $75 per	50% of Allowable Charges after a copayment of $200 per
Outpatient department	80% of Allowable Charges	50% of Allowable Charges
Emergency room	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an Emergency did not exist (refer to Article 1 for the Plan's definition of	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an Emergency did not exist (refer to Article 1 for the Plan's definition of Emergency)
Skilled Nursing Facility	80% of Allowable Charges after a copayment of $75 per	50% of Allowable Charges after a copayment of $200 per

Outpatient therapy *(physical, respiratory, cardiac & speech)*	80% of Allowable Charges	50% of Allowable Charges
Home health care	80% of Allowable Charges	Not covered
Hospice care	80% of Allowable Charges	Not covered

Plan Feature	Coverage Amount	
	When Provided by a Participating Provider	When Provided by a Non- Participating
Mental or nervous disorder		
Inpatient confinement	80% of Allowable Charges after a copayment of $75 per	50% of Allowable Charges after a copayment of $200 per
Outpatient services	80% of Allowable Charges	50% of Allowable Charges
Substance abuse treatment		
Inpatient confinement	80% of Allowable Charges after a copayment of $75 per	50% of Allowable Charges after a copayment of $200 per
Outpatient services	80% of Allowable Charges	50% of Allowable Charges
Outpatient diagnostic radiology &	80% of Allowable Charges	50% of Allowable Charges
Radiation therapy, chemotherapy & dialysis treatment	80% of Allowable Charges	50% of Allowable Charges
Physician services		
Office & hospital visits	80% of Allowable Charges	50% of Allowable Charges
Emergency room care	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an Emergency did not exist (refer to Article 1 for the	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an Emergency did not exist (refer to Article 1 for the Plan's definition of
Surgery	80% of Allowable Charges	50% of Allowable Charges
Anesthesia and its administration	80% of Allowable Charges	50% of Allowable Charges
Preventive Care *(physical exam, screenings, tests & immunizations as recommended by certain government agencies – refer to the definition of Preventive Care Services in Article 1)*	Not subject to the calendar year deductible; 100% of Allowable Charges	Calendar year deductible applies; 50% of Allowable Charges

Dental treatment	Not covered except 80% of Allowable Charges for treatment of Accidental Injury to natural teeth	Not covered except for 50% of Allowable Charges for treatment of Accidental Injury to natural teeth
Chiropractic services	80% of Allowable Charges	50% of Allowable Charges
Pregnancy & childbirth *(dependent children are not covered by this benefit)*	Covered on the same basis as an illness	Covered on the same basis as an illness
Infertility	80% of Allowable Charges	50% of Allowable Charges
Organ & tissue transplants	Payable on the same basis as any other illness	Payable on the same basis as any other illness
Ambulance service	80% of Allowable Charges	50% of Allowable Charges
Prosthetics & orthotics	80% of Allowable Charges	50% of Allowable Charges
Durable medical equipment	80% of Allowable Charges	50% of Allowable Charges
Hearing aids	No Coverage	No Coverage
Prescription Drug Program *(no calendar year deductible applies)*	**When Dispensed at a Participating Pharmacy**	**When Dispensed at a Non- Participating Pharmacy**
Retail pharmacy *(30 day supply limit)*	$10 copayment for a generic drug; $35 copayment for a non-generic formulary drug; no coverage for non-formulary drugs	Not covered
Mail service pharmacy *(90 day supply limit)*	$20 copayment for a generic drug; $70 copayment for a non-generic formulary drug; no coverage for non-formulary drugs	Not covered

APPENDIX C

Union Proposal to Assume Administration of City Medical Plans (agreement between the City of Stockton and the Employee Coalition representing all City Unions including the SPOA)

City Counter Proposal Regarding Union Assumption of Medical Plans

The City is supportive in concept of the unions taking over responsibility for providing medical insurance plan, and pledges its full cooperation in providing the necessary data to permit the Unions to assess the viability of such a plan. Acceptance of the plan by the City shall be subject to the following terms and conditions:

1. Such plan would not be City sponsored and the City would not have any responsibility for such plan including administration of the plan and client services, and unions/vendor will hold city harmless for any actions taken by vendor or union in its management of their plans. The City will pay its contributions for employee insurance coverage as set forth in individual MOUs and remit them to the plan administrator per any administrative agreement. City will process employee's deductions and remit to vendor and such costs of providing this service is part of administrative expense to be paid by union per any agreement as described in #11 below.

2. Plan participants to pay all administrative costs of the plan, including HR support and computer/data transfer/integration.

3. Such plan would include all city employees and eligible retirees. All plan enrollees would have same benefits, plan choices, eligibility, access to the network and premium costs and be treated in the same manner . The only exception would be for over age 65 retirees where plan benefits would be integrated with Medicare.

4. The plan would be fully insured, such that all risks would be borne by the insuring company without the possibility of underfunding the benefit

5. The Unions will not propose CalPERS medical plans.

6. Implementation shall be by January 1, 2013, provided the Unions provide at least 90 days notice to the City.

7. The City will pay all run out claims from the Modified and Original medical plans with respect to any claim incurred prior to January 1, 2013, regardless of when the claim is paid The City shall make all reasonable efforts to insure that all claims received are processed timely during the claims run out period. If any

funds remain in the ISF fund, the parties will meet to discuss the status of the funds.

8. It is understood that the union plans would stay in effect for at least five years, and the Unions will give the City at least 1 year's notice if they intend to terminate this arrangement. The City may only terminate the agreement with good cause regarding the failure of the plan to provide agreed upon benefits, and with evidence of continuing coverage for affected employees and retirees in the succeeding City sponsored plans. The City makes no commitment to any future arrangement of City administered medical insurance should the union plans be discontinued by the union's actions.

9. The City retains the right to terminate the sponsorship by the unions of any health plan as a result of any legislation that would require the City to provide plans to its employees or pay penalties in lieu of providing such plans, for example, as under the Affordable Care Act or any additional or successor legislation

10. Existing limits on City contributions to medical/dental/vision (agreed or imposed) remain unchanged.

11. It is understood that once the unions obtain quotes for coverage, the parties will meet and confer regarding significant issues regarding the implementation and viability of such plan, including, but not limited to the following:

    - Coverage of "tail" claims; Fully fund all reserves for Incurred but Not Reported and Pended Claims
    - Calculation and method of paying administrative costs;
    - Hold harmless to City for any actions taken by vendor/union coalition;
    - Union plan may discontinue Original Plan benefits for retirees.

The City retains the right to accept or reject any union proposals on a union sponsored plan(s) during meet and confer following union receipt of bids, based upon financial, operational, legal or coverage concerns.

IN WITNESS WHEREOF this Memorandum of Understanding was ratified by a membership vote of the Association on __________, 2012 and by an affirmative vote of the Stockton City Council on ______________, 2012. The SPOA and the City of Stockton have hereto executed this Memorandum of Understanding this ____day of _______, 2012.

For the City of Stockton:

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For the Stockton Police Officers Association

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