159

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MOVANT, NATIONAL PUBLIC FINANCE
GUARANTEE CORPORATION

Winston & Strawn LLP
101 California Street
San Francisco, CA 94111-5802

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION

In re:	Case No. 12-32118
CITY OF STOCKTON, CALIFORNIA,	D.C. No. OHS-1
Debtor.	Chapter 9
	Date: August 23, 2012 (Status Conference) Time: 10:00 a.m. Dept: Courtroom 35 Judge: Hon. Christopher M. Klein

EXHIBITS A – G IN SUPPORT OF "NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION'S OBJECTION TO THE CITY OF STOCKTON'S QUALIFICATIONS UNDER SECTION 109(C)"

Winston & Strawn LLP
101 California Street
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Exhibit A

Chart

Winston & Strawn LLP
101 California Street
San Francisco, CA 94111-5802

– Confidential –

** Subject to Material Change – For Internal Discussion Purposes Only **

Stockton AB 506 FY 2012-13 Debt Service:

Baseline Expenditures vs Requested Ask Concessions(1)

FY2012–13 Debt Service / Total Expenditures[2]	
2009 LRBs - Pub Facil Bonds/CIP	$1,082,190.5
2006 LRBs - Parking (SEB)	794,097.1
DBW-Debt - Marina	834,701.0
2007 VRDLRB - 400 E.Main	2,580,722.8
Debt - Redevelopment	2,224,889.0 [3]
Pension - Bonds	5,791,009.0 [4]
Debt - Other/Admin	250,000.0
Total Debt Service Expense	**$13,557,609.3**
Expenditures	$177,540,351.9
Total Fiscal Stability Adds	3,179,016.0
Total General Fund Baseline Expenditures	**$180,719,367.9**
Debt Service as a % of Baseline Expenditures	7.5%

FY2012–13 Debt Service Ask / Total Ask[5]	
2009 LRBs - Pub Facil Bonds/CIP	$1,082,190.5
2004 & 2006 LRBs - All Parking	794,097.1 [6]
DBW-Debt - Marina	684,701.0
2007 VRDLRB - 400 E.Main	2,672,343.8
2003 RDA Housing	318,797.5
2007 - POBs	5,791,009.0
Total Debt Service Ask	**$11,343,138.8**
Total AB 506 Ask Concessions	**$25,817,505.0** [7]
Debt Service as a % of Ask Concessions	43.9%

(1) Source: city of Stockton Ask dated May 7th, 2012; all terms as defined in the Ask.
(2) Ask, page 66, except where noted.
(3) Excludes $312,500 of Marina Tower Settlement expense (Ask, page 67).
(4) Ask, page 65.
(5) Ask, page 67, except where noted.
(6) Ask, pages 66 and 762-767. Includes $794,097 of concessions proposed for 2006 LRBs but not listed on Ask page 67; represents General Fund share of debt service obligation only.
(7) Includes $794,097 of concessions proposed for 2006 LRBs but not listed on Ask page 67.

Exhibit B

CalPERS – Facts at a Glance (July 2012)

Winston & Strawn LLP
101 California Street
San Francisco, CA 94111-5802

CalPERS

California Public Employees' Retirement System
External Affairs Branch • Office of Public Affairs
400 Q Street, Sacramento, CA 95811
(916) 795-3991 phone • (916) 795-3507 fax
www.calpers.ca.gov

FACTS AT A GLANCE

July 2012

Facts at a Glance is a monthly compilation of information of interest to Board Members, staff, and the general public. Information is current as of June 30, 2012, unless otherwise noted. Every effort has been made to verify the accuracy of the information, which is intended for general use only.

INCOME TOTALS OVER THE PAST 10 FISCAL YEARS

YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	INVESTMENT AND OTHER INCOME
2010-2011	$3,600,089,338	$7,465,397,498	$43,907,435,683
2009-2010	$3,378,866,892	$6,955,049,078	$25,577,529,796
2008-09	$3,882,355,341	$6,912,376,563	-$57,363,897,989
2007–08	$3,512,074,936	$7,242,802,001	-$12,492,908,035
2006–07	$3,262,699,076	$6,442,383,868	$40,757,380,692
2005–06	$3,080,878,521	$6,095,029,424	$22,041,265,666
2004–05	$3,176,780,369	$5,774,120,281	$21,894,201,526
2003–04	$2,266,445,429	$4,261,347,422	$24,272,573,281
2002–03	$1,887,925,497	$1,925,043,858	$5,482,731,568
2001–02	$2,154,742,532	$800,964,553	-$9,699,792,798

NUMBER OF EMPLOYEES (AS OF JULY 1, 2011)

2,366

TOTAL CALPERS ADMINISTRATIVE EXPENSES

2007–08 (actual)	$530,550,190
2008-09 (actual)	$566,913,372
2009-10 (actual)	$427,149,512
2010-11 (actual)	$306,379,733
2011-12 (budgeted)	$334,196,000

BOARD OF ADMINISTRATION

CalPERS is governed by a 13-member Board of Administration. Visit CalPERS On-Line for Board structure, composition and responsibilities.

CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST FUND

The California Employers' Retiree Benefit Trust Fund was established by CalPERS in March 2007 to provide California public agencies with a cost-efficient, professionally managed investment vehicle for prefunding other post-employment benefits (OPEB) such as retiree health benefits. Prefunding reduces an agency's long-term OPEB liability. Participating agencies can use investment earnings to pay future OPEB liabilities, similar to the CalPERS pension fund in which three out of four dollars paid in retirement benefits come from investment earnings.

Assets under management in trust fund (as of May 31, 2012): $2.1 billion

Participating public agencies: 338

Six agencies joined the CERBT in June:

Arrowbear Park County Water District

City of Fort Bragg

Eastern Municipal Water District

Sacramento Metropolitan Fire District

Santa Clara County Central Fire Protection District

Water Replenishment District of Southern California

ACTUARIAL INFORMATION

Each year, CalPERS actuaries calculate a funded ratio—the ratio of market value of assets in the fund to the liabilities for each retirement plan. The funded ratios vary from year to year.

Funded Status of Retirement Plans by Member Category

Member Category	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10
State	85.5%	88.6%	96.6%	84.9%	58.4%	62.8%
School	96.2%	98.7%	107.8%	93.8%	65.0%	69.5%
Public Agency	90.2%	92.7%	102.0%	89.6%	60.0%	65.8%

Notes

- The funded ratios are based on the Market Value of Assets.
- There were five plans in the State category with funded ratios between 57 percent and 69 percent as of June 30, 2010. The funded ratio for the State is an aggregate of all five plans.
- As of June 30, 2009, there were 2,039 plans with active members in the public agency category. There were 1,590 plans in one of nine risk pools and 449 public agencies in non-pooled plans. For non-pooled plans: about 98 percent of the plans were below 75 percent funded; about

2 percent of the plans was between 75 and 100 percent funded; and 0 percent of the plans were 100 percent funded or better. All risk pools were between 57 percent and 70 percent funded.

OVERALL MEMBERSHIP (AS OF JUNE 30, 2011)

Retirees/beneficiaries/survivors receiving a monthly allowance:	536,234
Active & Inactive members:	1,103,426
Total members:	1,639,660

MEMBERSHIP TOTALS BY CATEGORY (ACTIVE/INACTIVE MEMBERS AS OF JUNE 30, 2011)

State employees	30.5 percent
School employees	38.5 percent
Local public agency employees	31 percent
$3.4 billion in employee contributions	$6.9 billion in employer contributions

PENSION INFORMATION (AS OF JUNE 30, 2011)

Average monthly service retirement allowance all retirees:		$2,332
Average years of service, all service retirees:		20.3
Average monthly service retirement for 2010-11 retirees:		$3,065
Average monthly service retirement allowance for school miscellaneous members:		$1,251
Average years of service school miscellaneous retirees:		16.9
Average monthly service retirement allowance for State misc. members:		$2,598
Average years of service State miscellaneous retirees:		23.2
Average age at retirement, all members:	Service:	60
	Disability:	50
	Industrial Disability:	46

SERVICE RETIREES BY EMPLOYER TYPE (AS OF JUNE 30, 2011)

	EMPLOYER				
FISCAL YEAR	STATE	SCHOOLS	PUBLIC AGENCY	TOTAL	% CHANGE FROM PRIOR YEAR'S TOTAL
FY 2006-07	7,528	7,581	7,834	22,943	-6.8%
FY 2007-08	8,105	7,348	7,847	23,300	1.6%
FY 2008-09	8,502	7,690	8,366	24,558	5.4%
FY 2009-10	10,734	9,449	9,936	30,119	22.6%
FY 2010-11	11,566	10,334	10,730	32,630	8.3%

CALPERS EMPLOYERS (AS OF JUNE 30, 2011)

Public Agencies	1,573 (2,044 separate retirement plans)
School Districts	1,530
Total:	3,103

CalPERS 457 Plan

The CalPERS Supplemental Income 457 Plan is a deferred compensation retirement savings plan that public agency and school employers may adopt and offer to their employees to help them reach their retirement income goals. As of May 31, 2012:

- 26,432 participants
- $954 million in total assets
- 729 contracting agencies

PEACE OFFICERS' AND FIREFIGHTERS' (POFF) DC PLAN

The State Peace Officers' & Firefighters (POFF) Supplemental Plan is an employer-provided retirement benefit negotiated between the State of California and employee groups. As of May 31, 2012:

- 37,981 participants
- $457.4 million in total assets

SUPPLEMENTAL CONTRIBUTIONS PROGRAM

Supplemental Contributions Plan: The Supplemental Contributions Plan is an after-tax supplemental contributions program available to State employees, and members of the Judges' Retirement System I and II. As of May 31, 2012:

- 593 participants
- $18.2 million in total assets invested
- $14,293 total monthly contributions

LEGISLATORS' RETIREMENT SYSTEM (LRS)

The LRS is available to members of the California Legislature serving prior to November 7, 1990; all elected constitutional officers and legislative statutory officers. (This system was closed to Legislators after November 7, 1990, by virtue of an initiative passed by the electorate.)

Active Membership: (as of June 30, 2012)

Members of the Legislature:	2
Constitutional officers:	10
Legislative statutory officers:	2
Total:	14

Retirees, Survivors, & Beneficiaries: (as of June 30, 2012)

Members of the Legislature:	209
Constitutional officers:	29
Legislative statutory officers:	5
Total:	243

JUDGES' RETIREMENT SYSTEM (JRS)

The JRS provides benefits for State Supreme and Appellate Court justices, and Superior Court and Municipal Court judges who were appointed or elected before November 9, 1994.

Membership (as of June 30, 2011)

Active:	400
Deferred retirement:	31
Total:	431

JUDGES' RETIREMENT SYSTEM II (JRS II)

Established in 1994, JRS II provides benefits for State Supreme and Appellate Court justices, Superior Court judges, and Municipal Court judges who were appointed or elected after November 9, 1994.

Membership (as of June 30, 2012)

Active Members	1,273
Retirees, Survivors & Beneficiaries	37

CalPERS HEALTH PROGRAM

Covers more than 1.3 million active and retired state, local government, and school employees and their family members

Purchases health benefits for the State of California and more than 1,100 local and government agency and school employers

Largest employer purchaser of health benefits in California and the second largest employer purchaser in the nation after the federal government

Spent more than $6.67 billion in 2011 to purchase health benefits

HEALTH CARE PLANS

Three Health Maintenance Organization (HMO) plans – Blue Shield of California ("Blue Shield") NetValue, Blue Shield Access+, and Kaiser Permanente

Three self-funded Preferred Provider Organization (PPO) plans administered by Blue Cross – PERS Select, PERS Choice and PERSCare

Three plans for Association members – California Association of Highway Patrolmen (CAHP) Health Benefits Trust, (California Correctional Peace Officers Association (CCPOA) and Peace Officers Research Association of California (PORAC)

HEALTH PLAN MEMBERSHIP

ENROLLMENT	EMPLOYEES	DEPENDENTS	TOTAL MEMBERS
State Employees — 59.11%			
State Active	211,034	334,025	545059
State Retired	157,105	106,039	263,144
State Total	**368,139**	**440,064**	**808,203**
Public Agencies (Local Government & School Employees) — 40.89%			
Public Agency Active	178,619	243,090	421,709
Public Agency Retired	89,349	48,021	137,370
Public Agency Total	**267,968**	**291,111**	**559,079**
Active – **70.71%**	389,653	577,115	966,768
Retired – **29.29%**	246,454	154,060	400,514
HMO – **67.26%**	414,969	504,700	919,669
PPO – **25.66%**	188,643	162,217	350,860
Associations – **7.08%**	32,503	64,258	96,761
Total Program	**636,115**	**731,175**	**1,367,290**

ANNUAL HEALTH PROGRAM SPENDING (PER DAY)

2012	$19.3 million
2011	$18.5 million
2010	$16.8 million

TOTAL HEALTH PREMIUM				STATE PREMIUM SHARE ESTIMATES			
				Actives		Retirees	
Estimates (in Billions)	Total Program	Public Agencies and Schools	State	Employer	Member	Employer	Member
2012	$7.03	$2.94	$4.09	$2.234	$0.587	$1.218	$0.049
2011	$6.75	$2.82	$3.93	$2.153	$0.547	$1.190	$0.046
2010	$6.12	$2.52	$3.60	$2.003	$0.496	$1.054	$0.047

State contribution amounts to monthly premiums for single, 2-party and family plan tiers, respectively	2012	$452/ $905/$1,177*	$566/$1,074/$1,382
	2011	$433/$866/$1,129*	$542/$1,030/$1326
	2010	$393/$787/$1,024*	$493/$936/$1,202

**State Active Health Premium Contribution for many State Members, but not all. Please check specific contract for exact detail.*

HEALTH PREMIUM CHANGES — 2004 TO 2012

PLAN PRODUCT & TYPE		2004	2005*	2006*	2007*	2008*	2009*	2010*	2011*	2012*
Basic Plans	Overall	16.4%	9.9%	8.9%	11.9%	6.8%	4.8%	3.2%	9.9%	4.6%
	HMOs	18.0%	11.4%	8.7%	11.6%	7.4%	6.6%	3.4%	10.6%	5.3%
	PPOs	13.2%	6.4%	9.5%	12.6%	4.2%	0.0%	3.3%	8.7%	3.0%
	Associations	11.6%	6.8%	8.3%	12.8%	10.8%	5.0%	0.9%	7.2%	2.7%
Medicare Plans	Overall	10.0%	-11.3%	7.0%	13.5%	3.0%	0.7%	1.1%	3.4%	0.0%
	HMOs	26.8%	-10.7%	-7.0%	25.0%	-1.6%	1.6%	0 .3%	0.2%	-0.9%
	PPOs	-1.2%	-12.5%	18.6%	6.8%	6.7%	0.0%	1.7%	5.6%	0.7%
	Associations	15.0%	0.5%	0.0%	0.2%	-2.3%	1.3%	2.5%	4.2%	0.9%

**Premium changes for public agencies vary depending on geographic location.*

CalPERS LONG-TERM CARE PROGRAM

- Provides financial protection from the high cost of extended care, including nursing home care. CalPERS program is not-for-profit and self-funded; began in January 1995
- All California public employees, retirees, their spouses, parents and parents-in-law, and adult siblings (age 18-79) are eligible to apply during enrollment periods
- Members enrolled as of May 31, 2012: 150,710
- More than $1.0 billion in benefits paid since the program's inception through May 31, 2012
- Benefits paid in current fiscal year through May 31, 2012: $154.5 million
- Benefits paid during 2011 through December 31, 2011: $160 million
- Benefits paid during 2012 through May 31, 2012: $72 million
- Annual Premiums as of May 31, 2012: $326.5 million
- Average Annualized Premium as of May 31, 2012: $2,166.71

INVESTMENT PORTFOLIO MARKET VALUE

$236.8 Billion (As of April 30, 2012)

ASSET CLASS BY MARKET VALUE & ALLOCATION

ASSET CLASS	ACTUAL INVESTMENT ($BILLIONS)	ACTUAL INVESTMENT %	INTERIM STRATEGIC TARGET %*	% PASSIVE VS. ACTIVE	
				PASSIVE	ACTIVE
Growth	**$151.9**	**64.0%**	**64.0%**	**56.0%**	**44.0%**
Public Equity	$118.6	50.0%	50.0%	71.0%	29.0%
Private Equity	$33.3	14.0%	14.0%	0.0%	100.0%
Income	**$41.2**	**17.0%**	**17.0%**	**0.0%**	**100.0%**
Liquidity	**$9.2**	**4.0%**	**4.0%**	**0.0%**	**100.0%**
Real	**$21.8**	**9.0%**	**11%**	**6.0%**	**94.0%**
Real Estate	$18.9	8.0%	9%	7.0%	93.0%
Forestland/ Infrastructure	$2.9	1.0%	2%	0.0%	100.0%
Inflation	**$7.5**	**3.0%**	**4.0%**	**0.0%**	**100.0%**
Absolute Return Strategy	**$5.1**	**2.0%**	**n/a%**	**0.0%**	**100.0%**
Total Fund	$236.8	100.0%	100.0%	36.0%	64.0%

**Target allocation effective July 2011.*

GROWTH OF FUND

YEAR	YEAR-END 6/30	YEAR-END 12/31
1985	$28.6 billion	$32.7 billion
1990	$58.2 billion	$57.5 billion
1995	$87.8 billion	$96.9 billion
1996	$100.7 billion	$108.0 billion
1997	$119.7 billion	$128.2 billion
1998	$143.3 billion	$150.6 billion
1999	$159.1 billion	$171.9 billion
2000	$172.2 billion	$165.2 billion
2001	$156.0 billion	$151.8 billion
2002	$143.4 billion	$133.8 billion
2003	$144.8 billion	$161.4 billion
2004	$166.3 billion	$182.8 billion
2005	$189.8 billion	$200.9 billion
2006	$208.2 billion	$230.3 billion
2007	$251.4 billion	$253.0 billion
2008	$237.9 billion	$183.3 billion
2009	$181.0 billion	$203.3 billion
2010	$200.0 billion	$225.7 billion
2011	$237.5 billion	$225.0 billion

TOTAL RETURNS[1]

Fiscal year to date ended 4/30/2012	1.8%
3 years for period ended 4/30/2012	12.1%
5 years for period ended 4/30/2012	0.5%
10 years for period ended 4/30/2012	5.9%

CALIFORNIA INVESTMENTS AND COMMITMENTS

Approximately $23.6 billion—or 10.0 percent of total fund as of April 30, 2012

Growth	$15.0 billion
Income	$3.8 billion
Real Assets	$4.9 billion
Inflation	$0.0 billion
Absolute Return Strategy	$0.0 billion
Liquidity	$0.0 billion

HISTORICAL RATES OF RETURNS[1]

YEAR	YEAR END 6/30 (%)	YEAR END 12/31 (%)
1990	8.9	-0.8
1991	6.7	23.0
1992	13.9	6.5
1993	14.6	13.4
1994	2.0	-1.0
1995	16.4	25.3
1996	15.4	12.8
1997	20.2	19.0
1998	19.6	18.5
1999	12.6	16.0
2000	10.8	-1.4
2001	-7.1	-6.2
2002	-6.0	-9.5
2003	3.9	23.3
2004	16.7	13.4

2005	12.6	11.1
2006	12.3	15.7
2007	19.1	10.2
2008	-4.9	-27.8
2009	-23.4	12.1
2010	11.6	12.6
2011	20.9	1.1

[1] *Beginning 9/31/2011 performance figures are reported as net of fees. All performance figures reported before 9/31/2011 are as gross of fees.*

CalPERS CORPORATE GOVERNANCE PROGRAM

For corporate governance and additional investment information, please visit the Corporate Governance area of our website.

STATE LEGISLATION

CalPERS Governmental Affairs Office provides bill analyses and tracks current status of important State Legislation. For up-to-date legislation information, visit our website.

Winston & Strawn LLP
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San Francisco, CA 94111-5802

Exhibit C

Contract between City Council and CalPERS dated September 1, 1944 and amendments thereto dated July 1, 1948 and March 16, 2002

55

C-44-100

STATE EMPLOYEES' RETIREMENT SYSTEM
SACRAMENTO, CALIFORNIA

Contract

BETWEEN

CITY COUNCIL
NAME OF LEGISLATIVE BODY

OF

CITY OF STOCKTON
NAME OF MUNICIPAL CORPORATION

AND THE

BOARD OF ADMINISTRATION

OF THE

CALIFORNIA STATE EMPLOYEES' RETIREMENT SYSTEM

This Agreement made this first day of September, 1944, by and between the Legislative Body of CITY OF STOCKTON (Name of Municipal Corporation), hereafter referred to as "City," and the Board of Administration, California State Employees' Retirement System, hereafter referred to as "Board."

WITNESSETH:

In consideration of the covenants and agreements hereinafter contained and on the part of both parties to be kept and performed, City and Board hereby agree as follows:

1. City is to participate in the State Employees' Retirement System, subject to the provisions of the State Employees' Retirement Act. Said ~~Retirement Act is attached hereto marked Exhibit "A" and by such reference is hereby made a part of this agreement as though herein set out in full.~~

2. City shall participate in said Retirement System, making its employees members of said System, from and after September 1, 1944.

3. Employees of City in the following classes shall become members of said Retirement System in accordance with the provisions of said Retirement Act, governing membership in said Retirement System, and subject to the further exclusions from membership in the next following sentence:

CLASSES OF EMPLOYEES	NUMBER OF EMPLOYEES ELIGIBLE FOR MEMBERSHIP ON September 1, 1944	MINIMUM AGE FOR VOLUNTARY SERVICE RETIREMENT
a. City Firemen, as defined in Section 8*c* of the State Employees' Retirement Act	None	
b. City Policemen, as defined in Section 8*b* of the State Employees' Retirement Act	None	
c. Employees other than City Firemen and City Policemen	244	As provided in the Retirement Act

In addition to the employees excluded from membership by said Retirement Act, the following employees shall not become members of the Retirement System:

PERMANENT

F. 126. 98242 4-40 300 STATE PRINTING OFFICE

STATE OF CALIFORNIA
State Employees' Retirement System
102 STATE OFFICE BUILDING NO. 1
TENTH AND L STREETS
SACRAMENTO 14

CONTRACT OF

CITY OF STOCKTON
(Name of Subdivision)

With the

FIRM OF COATES AND HERFURTH, CONSULTING ACTUARIES, for determining approximate contribution which would be required of subdivision by its participation in State Employees' Retirement System

1. THIS AGREEMENT made this day of ______________, 19___, by and between the CITY COUNCIL (City Council, Board of Supervisors or Governing Board) of the CITY OF STOCKTON (Name of Subdivision), as party of the first part, and Coates and Herfurth, a co-partnership composed of Barrett N. Coates and Carl E. Herfurth, consulting actuaries, parties of the second part.

WITNESSETH:

2. The party of the first part herewith engages and retains the services of the parties of the second part to make such investigation into the employment experience of the party of the first part, and such valuation of the benefits and contributions provided in the State Employees' Retirement Act, as may be necessary to determine the approximate as distinguished from the definitive contribution which would be required of the party of the first part because of said party's participation in the State Employees' Retirement System, upon the assumption that said participation will be effective JULY 1, 1944, and upon the further assumption that the number and classification of said party's employees whose memberships are contemplated in said participation are as follows:

F113-1 1-40 200

3a. The provisions of S[illegible] [illegible]ion 84 of the State Employees' [illegible]tirement Act Shall apply to employees of City, who become members of said Retirement System.

3. Continued from page 1

All City Policemen and City Firemen shall be excluded.

3. Continued. Board and City agree that, except as provided in paragraph 5, no adjustment shall be made in the amount of contributions provided in paragraph 5a, on account of prior service, or in the percentage provided in paragraph 5b, because of variations in the numbers of employees who become members of said Retirement System on the effective date hereof, from the numbers listed above, due to termination of service by such causes as death, resignation or discharge, or the employment of individuals not included in said numbers.

3a. See above

4. Benefits on account of prior service, that is, service credited hereunder as rendered to City prior to the effective date hereof, shall be allowed to city firemen and city policemen and to other employees, only as percentages of the respective average salaries specified in said Retirement Act, for each year of such service, and said percentages shall be equal to 100 per cent of the analogous percentages now used under said Retirement System in calculating benefits on account of ~~prior service, allowed to members of the California State Highway Patrol and to other employees of the State of California,~~ respectively.

5. City shall contribute to said Retirement System as follows:

a. The sum of $26,387.96 per annum, payable in equal monthly or less frequent installments as Board shall require, for a period of 25 years, on account of the liability for benefits based on service rendered to City prior to the effective date hereof.

b. 4.752 per cent of total salaries paid by City each month to its employees who are members of said Retirement System, provided that only salary earned as members of said System shall be included in said total salaries, and that employees who are members of said System shall include employees who become members upon the effective date hereof and employees who become members thereafter.

~~*c.* A reasonable amount as fixed by Board, payable in equal monthly or less frequent installments, as Board~~ shall require, to cover the costs of administering said System as it affects the employees of City, not including the costs of special valuations or of the periodical investigation and valuation required by law, provided that said amount shall not exceed ~~$1.50~~ per fiscal year per member, on the basis of the number of employees ~~of City who are members on July 1st of the respective fiscal years, or with respect to the first year of~~ participation, on the effective date of said participation.

d. A reasonable amount as fixed by the Board, payable in one installment from time to time as the occasions arise, to cover the costs of special valuations on account of employees of City and the costs of the periodical investigation into the experience under said Retirement System, as it affects said employees, and the valuation of the assets and liabilities of said System on account of said employees.

~~Contributions required of City and its employees shall be subject to adjustment by the Board of Administration on~~ account of amendments to the State Employees' Retirement Act, and on account of experience under the Retirement System, as determined by the periodical investigation, valuation and determination provided for by said Retirement Act.

6. Contributions required of City under paragraph 5 immediately preceding, and contributions required of City's employees who are members of said System, shall be paid by City to the State Employees' Retirement System within thirty days after the end of the month or longer period to which said contributions refer. If more or less than the correct amount of contribution required of City or its employees is paid for any period, proper adjustment shall be made in connection with subsequent remittances of the City to the Board, to rectify the errors; or such adjustments on account of errors made in contributions required of employees, may be made by direct cash payments between the employee in connection with whom the error was made, and Board. Payments of City to Board may be made in the form of warrants, bank checks, bank drafts, ~~certified checks, money orders, or cash.~~

WITNESS OUR HANDS the day and year first above written.

BOARD OF ADMINISTRATION
STATE EMPLOYEES' RETIREMENT SYSTEM

ATTEST: Earle Chapman
Secretary

By Thos. E. Stanton
President

CITY COUNCIL of
Name of Legislative Body

ATTEST: B.L. TRAHERN, City Clerk of the City of Stockton,
By Constance Miller
Deputy Clerk

CITY OF STOCKTON
Name of City

By Ralph W. Fay
Mayor
Presiding Officer

AMENDMENT TO CONTRACT BETWEEN
BOARD OF ADMINISTRATION,
STATE EMPLOYEES' RETIREMENT SYSTEM

RECEIVED
JUL 1 - 1948
STATE EMPLOYEES RETIREMENT SYSTEM

AND CITY COUNCIL
(Governing Body)

OF THE CITY OF STOCKTON
(Name of Public Agency)

The Board of Administration, State Employees' Retirement System, and the CITY COUNCIL (Governing Body) of the CITY OF STOCKTON (Name of Public Agency), hereinafter referred to as Agency, having entered into a contract under date of September 1, 1944, effective September 1, 1944, which provides for the participation of said Agency in said Retirement System, and City Policemen and City Firemen being excluded from said contract, said Board of Administration and said CITY COUNCIL (Governing Body) hereby agree as follows:

1. "All City Policemen and City Firemen shall be excluded" appearing in Paragraph 3, shall be and is hereby amended to read, "No additional exclusions".

2. Paragraphs 3a, 4, 5 and 6 shall be and are hereby stricken from said contract.

3. The following paragraphs shall be and are hereby added to said contract:

   4. Age 65 shall be the normal minimum age for retirement for service, of persons who are miscellaneous members because of employment by public agency, that is, members other than Local Firemen and Local Policemen, and one-seventieth shall be the fraction of final compensation, as defined in said Retirement Law, to be provided on the average, for each year of service as a member, by the members' and Public Agency's normal contributions, upon retirement at said minimum age.

   5. Benefits on account of prior service, that is, service credited hereunder as rendered to Public Agency prior to the effective date hereof, to respective persons who are members because of employment by Public Agency as Local Firemen or Local Policemen, shall be allowed only as a percentage of the average salary specified in said Retirement Law, for each year of such service, and said percentage shall be 100 per cent of the fraction of final compensation, as defined in the State Employees' Retirement Law, for each year of service rendered after said date, as determined for said respective members under said law, for retirement for service at age 55, or upon qualification for service retirement at a higher age. If a member retires for service before attaining age 55, his prior service pension shall be reduced to that amount which the value of the pension as deferred to age 55 will purchase at the actual age of retirement.

F 328-1 (Special) 3-48

6. Prior ervice benefits to persons who miscellaneous members because of employment by Public Agency, that is members other than Local Firemen and Local Policemen, upon retirement for service at the normal minimum age entered in Paragraph 4 hereof, shall be allowed only as a percentage of the average salary specified in said Retirement Law, for each year of such service, and said percentage shall be 100 per cent of 1/70. If a member retires for service before attaining the normal minimum age in item 4, his prior service pension shall be reduced to that amount which the value of the pension as deferred to said minimum age will purchase at the actual age of retirement.

7. The provisions of Section 21258(c), and not 21258(b), of the State Employees' Retirement Law, guaranteeing a minimum retirement allowance under certain conditions shall apply to persons who are members because of employment by Public Agency.

8. The provisions of Section 21367.5 of the State Employees' Retirement Law, providing a $300 death benefit after retirement shall apply to persons who are members because of employment by Public Agency as Local Policemen or Local Firemen, but shall not apply to persons who are miscellaneous members because of employment by Public Agency.

9. Public Agency shall contribute to said Retirement System as follows:

   a. The sum of $26,825.83 per annum, payable in equal monthly or less frequent installments, as the Board may require, for the period of years stated in said contract, less the time elapsed from the date of participation to the effective date hereof, plus the sum of $70,276.09 per annum, payable in equal monthly or less frequent installments, as the Board may require, for the period of 25 years, all on account of the liability for benefits based on service rendered to public agency prior to the date of participation, with respect to employees other than Firemen and Policemen, and service rendered to public agency prior to the effective date hereof with respect to Firemen and Policemen.

   b. 9.372 per cent of total salaries paid by Public Agency each month to its employees who are members of said Retirement System, provided that only salary earned as members of said System shall be included in said total salaries, and the employees who are members of said System shall include employees who become members upon the effective date hereof and employees who become members thereafter.

   c. A reasonable amount per annum, as fixed by Board, payable in equal monthly or less frequent installments, as Board shall require, to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodical investigation and valuation required by law, provided that said amount shall be determined on the basis of the number of employees of Public Agency who are members on July 1st of the respective fiscal years, or with respect to the first year of participation, on the effective date of said participation.

F 328-2 (Special) 3-48

d. .. reasonable amount as fixed by : Board, payable in one installment from time to time as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and the costs of the periodical investigation into the experience under said Retirement System, as it affects said employees, and the valuation of the assets and liabilities of said System on account of said employees.

Contributions required of Public Agency and its employees shall be subject to adjustment by the Board of Administration on account of amendments to the State Employees' Retirement Law, and on account of experience under the Retirement System, as determined by the periodical investigation, valuation and determination provided for by said Retirement Law. Contributions under this paragraph are in addition to any assets of the local system, which are transferred to the State Employees' Retirement System, and are subject to adjustment for variations between the value of such assets as determined by Board and the value assumed in the calculation of such contributions.

10. Contribtuions required of Public Agency under paragraph 9 immediately preceding, and contributions required of Public Agency's employees who are members of said System, shall be paid by Public Agency to the State Employees' Retirement System within thirty days after the end of the month or longer period to which said contributions refer. If more or less than the correct amount of contribution required of Public Agency or its employees is paid for any period, proper adjustment shall be made in connection with subsequent remittances of Public Agency to the Board, to rectify the errors; or such adjustments on account of errors made in contributions required of employees, may be made by direct cash payments between the employee in connection with whom the error was made, and Board. Payments of Public Agency to Board may be made in the form of warrants, bank checks, bank drafts, certified checks, money orders, or cash.

4. Benefits, including retirement allowances, granted prior to the effective date of this amendment, shall not be affected by this amendment.

5. This amendment shall be attached to said contract and shall be effective as of July 1, 1948.

Witness our hand this 27th day of June, 1948.

CITY COUNCIL of
(Name of Legislative Body)

CITY OF STOCKTON
(Name of Public Agency)

ATTEST: B. L. Graham
Clerk

By Jerry Dutchley
Presiding Officer

BOARD OF ADMINISTRATION
STATE EMPLOYEES' RETIREMENT SYSTEM

ATTEST: Earle Chapman
Secretary

By Geo. E. Stanton
President, BOARD OF ADMINISTRATION

F 328-3 (Special) 3-48

CalPERS

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
City Council
City of Stockton

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective September 1, 1944, and witnessed September 1, 1944, and as amended effective July 1, 1948, July 1, 1950, February 1, 1952, February 1, 1954, January 1, 1956, January 1, 1960, January 16, 1962, January 1, 1963, January 6, 1968, October 1, 1969, July 1, 1973, August 16, 1973, October 1, 1973, January 1, 1975, July 1, 1978, November 1, 1980, August 1, 1982, January 1, 1993, May 13, 1993, May 12, 1994, March 1, 1997, June 24, 1997, December 1, 1997, March 16, 1999, November 1, 2000 and December 16, 2001 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

A. Paragraphs 1 through 15 are hereby stricken from said contract as executed effective December 16, 2001, and hereby replaced by the following paragraphs numbered 1 through 15 inclusive:

   1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members and age 50 for local safety members.

2. Public Agency shall participate in the Public Employees' Retirement System from and after September 1, 1944 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

3. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:

   a. Local Fire Fighters (herein referred to as local safety members);

   b. Local Police Officers (herein referred to as local safety members);

   c. Employees other than local safety members (herein referred to as local miscellaneous members).

4. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:

   a. ALL CENTRAL PARKING DISTRICT EMPLOYEES HIRED ON OR AFTER AUGUST 16, 1973.

5. Prior to January 1, 1975, those members who were hired by Public Agency on a temporary and/or seasonal basis not to exceed 6 months were excluded from PERS membership by contract. Government Code Section 20336 superseded this contract provision by providing that any such temporary and/or seasonal employees are excluded from PERS membership subsequent to January 1, 1975. Legislation repealed and replaced said Section with Government Code Section 20305 effective July 1, 1994.

6. Assets heretofore accumulated with respect to members in the local retirement system have been transferred to the Public Employees' Retirement System and applied against the liability for prior service incurred thereunder. That portion of the assets so transferred which represent the accumulated contributions (plus interest thereof) required of the employees under said local system has been credited to the individual membership account of each such employee under the Public Employees' Retirement System.

7. Public Agency and the Stockton Redevelopment Agency have agreed to a merger of their contracts, and this contract shall be a continuation of the benefits of the contract of the Stockton Redevelopment Agency, pursuant to Section 20567.6 of the Government Code. Such merger is effective as of July 1, 1975. Public Agency, by this contract, assumes the assets and liabilities accumulated under the former contract of the Stockton Redevelopment Agency. Legislation repealed said Section effective January 1, 1988.

   a. Service performed for the former agency prior to July 1, 1975 shall be subject to the terms and conditions of the former agency's contract as it was in effect at that time. Service performed after July 1, 1975 shall be subject to the terms and conditions of this contract. For purposes of computing retirement allowances, separate calculations shall be made for service performed under each contract.

8. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1956, the effective date of Social Security coverage, and prior to June 30, 1978, termination of Social Security, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).

9. The percentage of final compensation to be provided for each year of credited prior and current service as a local safety member shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).

10. Public Agency elected and elects to be subject to the following optional provisions:

   a. Sections 21624 and 21626 (Post-Retirement Survivor Allowance).

   b. Section 21222.1 (One-Time 5% Increase - 1970). Legislation repealed said Section effective January 1, 1980.

   c. Section 20042 (One-Year Final Compensation).

   d. Section 21326 (One-Time 1% to 7% Increase For Local Miscellaneous Members and Local Safety Members Who Retired or Died Prior to July 1, 1974).

   e. Section 21024 (Military Service Credit as Public Service), Statutes of 1976.

   f. Section 21027 (Military Service Credit for Retired Persons).

g. Section 20965 (Credit for Unused Sick Leave).

h. Section 21574 (Fourth Level of 1959 Survivor Benefits).

i. Section 21635 (Post-Retirement Survivor Allowance to Continue After Remarriage).

j. Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

k. Section 20692 (Employer Paid Member Contributions Converted to Payrate During the Final Compensation Period) for local miscellaneous members and local safety members.

l. Section 21335 (5% Cost-of-Living Allowance, base year 2001) for local miscellaneous members only.

m. Section 20903 (Two Years Additional Service Credit).

11. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on January 1, 1975. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.

12. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members and local safety members of said Retirement System.

13. Public Agency shall also contribute to said Retirement System as follows:

a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members and local safety members.

b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.

c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.

14. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

15. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the 16th day of March, 2002.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY ____________________
KENNETH W. MARZION, CHIEF
ACTUARIAL & EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CITY COUNCIL
CITY OF STOCKTON

BY ____________________
PRESIDING OFFICER

3-12-02
Witness Date

Attest:

____
Clerk

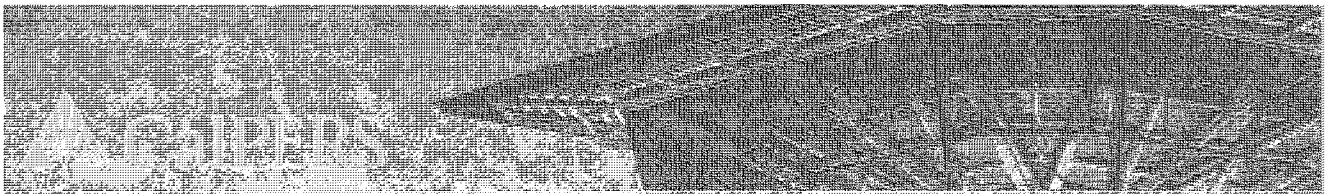
Assistant City Attorney

AMENDMENT
PERS-CON-702A (Rev 8\96)

Winston & Strawn LLP
101 California Street
San Francisco, CA 94111-5802

Exhibit D

Press Release – "CalPERS Acts to Ensure Benefits of Terminated Agency Members"
(August 17, 2011)



Press Release

August 17, 2011

External Affairs Branch
(916) 795-3991
Robert Udall Glazier, Deputy Executive Officer
Brad Pacheco, Chief, Office of Public Affairs
Contact: Edward Fong, Information Officer
pressroom@calpers.ca.gov

CalPERS Acts to Ensure Benefits of Terminated Agency Members

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) Board of Administration today approved a plan to protect the retirement benefits of workers who belong to a CalPERS pension plan that's been terminated by a public agency employer.

For various reasons, public agencies occasionally terminate their pension plan or CalPERS will terminate a plan. When this happens, the terminated agency's plan assets and liabilities are transferred to the CalPERS Terminated Agency Pool if the employer wants to continue with CalPERS as the plan administrator. Funds from the pool are used to pay benefits when workers retire.

As of June 30, 2009, there were 118 agencies in the terminated agency pool with 4,700 members. The pool is currently very well funded with 240 percent of the assets required to pay benefits -- $144 million in assets and $60 million in liabilities. However, there is concern that the funded status of the pool would deteriorate dramatically in the future if a large under-funded agency terminated its plan and left its assets and benefit obligations with CalPERS.

Employers do not make contributions to the pool after their pension plan is terminated. The only source of future pool income is from investment earnings. The plan approved today includes three key elements to reduce the risk of underfunding of the terminated agency pool:

- Terminated agency pool assets will remain a part of the Public Employees' Retirement Fund (PERF) but will be invested more conservatively than in the much larger PERF, more closely reflecting the characteristics of future expected benefit payments from the pool. The new asset allocation policy for the pool will be determined by the CalPERS investment and actuarial staff, subject to approval by the CalPERS Board.

- CalPERS will develop a new regulation to ensure investment earnings of the pool are allocated appropriately.

- The discount rate of the pool is expected to be significantly lower than the rate for the regular CalPERS pension fund because of lower projected investment returns from the more conservative asset allocation. The discount rate for the regular CalPERS pension fund will not change; it will remain at 7.75 percent.

"These changes will help ensure the future financial security of our members," said CalPERS Board President Rob Feckner. "They also enhance accountability and ensure the long-term sustainability of the terminated agency pool."

A more conservative investment asset allocation and lower discount rate would greatly reduce the risk of assets ever being less than liabilities. However, the changes will also require employers who terminate their plans in the future to deposit more assets into the pool to reflect updated valuations based on the asset allocation and discount rate changes.

"As fiduciaries, we have a responsibility to act in the best interest of our members," said George Diehr, Chair of the CalPERS Board Benefits and Program Administration Committee. "The time to act is now when the pool is in good shape, rather than waiting and risking a future deterioration of the pool's funded status."

CalPERS, with assets of about $220 billion, is the largest public pension fund in the U.S. The retirement system administers pension benefits for 1.6 million active and retired California state, public school, and local public agency employees and their families, and health benefits for 1.3 million members, on behalf of 3,000 California public employers. The average CalPERS pension is $2,220 per month. More information is available at www.calpers.ca.gov.

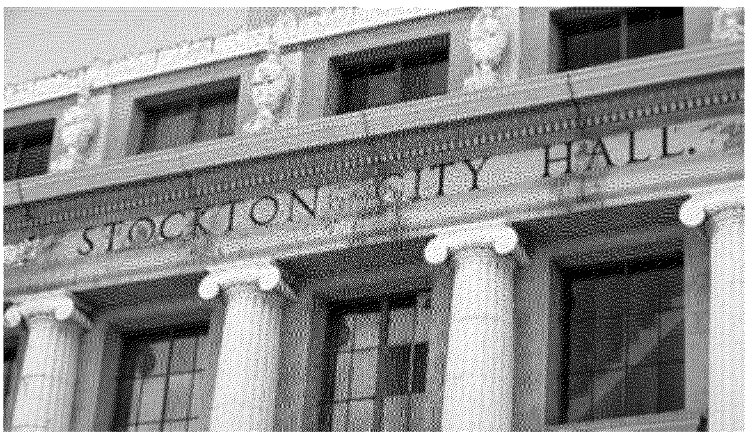
Additional Resources
FAQs - Discount Rate for Terminated Agencies

Exhibit E

Michael Fitzgerald "City has been Paying Illegal Benefits for Years" Recordnet.com April 25, 2012

Winston & Strawn LLP
101 California Street
San Francisco, CA 94111-5802

City has been paying illegal benefits for years



Since 1991, the city of Stockton has illegally enrolled three mayors and 14 council members in the state retirement system.

CLIFFORD OTO/Record File 2012

By Michael Fitzgerald
Record Columnist
April 25, 2012 12:00 AM

Three current Stockton council members - who had to lay off hundreds of city workers and slash employee compensation - have unwittingly been accepting illegal cash benefits for years.

The mayor and two council members are illegally enrolled in the state retirement system. The city is paying into that system in violation of the city charter.

In fact, since 1991, the city of Stockton has illegally enrolled three mayors and 14 council members in the state retirement system. The city has been unlawfully paying them Stocktonians' tax dollars.

Amazingly, nobody noticed it was illegal. Council members relied on city staff. Evidently, city staff, including numerous city attorneys, never read the city charter.

A total of $276,953.51 was unlawfully contributed.

At a glance

Stockton mayors and council members enrolled in the CalPERS retirement fund, and the amount the city illegally contributed:

Mayors

• Joan Darrah: $7,682.62 (collected retirement, now deceased)

• Ann Johnston: $45, 538.61 (not retired)

• Gary Podesto: $7,018.43 (collecting retirement)

Council members

• Steve Bestolarides: $15,475.79 (not retired)

• Dan Chapman: $15,561.42 (not vested)

• Dale Fritchen: $12,189.52 (still accruing retirement)

• Gary Giovanetti: $8,326.68 (not vested)

• Ted Gonzales: $3,003.95 (not vested; cashed out his own money)

• Elbert Holman: $12,189.91 (still accruing retirement)

• Clem Lee: $15,622.18 (not vested)

• Leslie Martin: $23,599.99 (not retired yet)

• Sylvia Sun Minnick: $2,269.38 (collcting retirement)

Worse, the city probably never will get it back, officials say. The council members probably get to keep it.

The revelation is embarrassing to current leaders who routinely condemn their predecessors' sketchy fiscal practices and proclaim they are better informed.

"Oh, no," said Mayor Ann Johnston. "Here is another example of a problem that no one questioned over the years."

Because Johnston served both as council member and mayor, she is the biggest beneficiary of the city's mistake. The city has erroneously paid her retirement fund $45,405.36.

Johnston vowed immediately to stop accepting the money. "I will follow the charter," she said. "This council and I are determined to do the right thing for the right reasons."

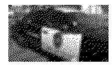
As best as can be determined, the city's human resources department since at least 1991 has told all newly elected council members at orientation they can join CalPERS, the state Public Employees' Retirement System.

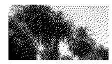
Council members who joined CalPERS paid part of their salary into the system. The city also made a contribution - clearly a retirement benefit.

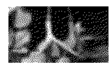
But Section 2602 of Stockton's city charter says - unambiguously - council members shall receive no retirement or death benefits.

A month ago, I asked City Attorney John Luebberke to give an opinion on the legality of

MULTIMEDIA MORE


Stockton police investigate officer-involved shooting after chase
Play video


Lodi woman wants to save South Hutchins Street palm trees set for removal
Play video


Nursery plants optimal for Stockton climate
Play video

READER INTERACTION

- Read our blogs written by Record staff.
- Send us your snapshots.
- Submit events for our online calendar.
- Sign up for text-message alerts
- Sign up for e-mail alerts
- Write a letter to the editor.
- Have a story idea? Tell us about it!

• Victor Mow: $4,194.24 (collecting retirement)

• Rebecca Nabors: $15,566.89 (cashed out)

• Richard Nickerson: $4,486.29 (collecting retirement)

• Melvin Panizza: $4,297.94 (collecting retirement)

Source: City of Stockton

enrolling council members in CalPERS.

After researching not only the charter but state and federal law, Luebberke concluded that the city's 21 years of contributions were illegal - and inexplicable.

"I have no explanation whatsoever as to why this benefit was offered," Luebberke said. "We've been able to find no record of when this action was taken. Or of my office analyzing it. It is simply undocumented."

Luebberke theorizes the perk was started administratively, that is, by a city executive who made a gift of public funds without council approval.

Luebberke theorized that the administrator, ignorant of the charter, was trying to make the city compliant with changing federal law.

Melvin Panizza, a councilman from 1991 to 2000, believes the error occurred during the 1988-91 tenure of City Manager Alan Harvey.

"My recollection is that it happened when Alan Harvey was city manager," Panizza said. "I remember this was part of the package of stuff they give you."

Told city contributions he received were illegal, Panizza said, "I'm surprised. I relied on the advice then provided by city staff and the city attorney."

The benefit's illegality went unnoticed for 21 years because certain charter provisions are not visited often, Luebberke said, putting it mildly.

"This is something that I just feel personally terrible about, because it's so embarrassing," Luebberke said.

Joan Darrah, mayor from 1990 to 1997, was paid $7,682.62. Gary Podesto, mayor from 1997 to 2004, was paid $5,822.75.

As the years passed, however, and council and mayor salaries increased, the city's contributions grew in size.

Fourteen council members received the balance of the illegal contributions, which grew to $30,000 a year.

The recipients of these funds fall into different categories. Former council members such as Dan Chapman, who served one four-year term, do not qualify to receive the retirement money. It takes five years to be vested - or qualified to receive - CalPERS retirement funds.

The city's contributions to Chapman are sitting in an account. He could get them if he returns to government and works another year.

But, "If, hypothetically, I ever worked for the city again and became vested, I wouldn't accept the funds if they were illegal," Chapman pledged.

Other former council members, falling short of being vested. "cashed out" the money they paid in and quit the system.

Two-term council people qualify to receive the money.

Even though this money was paid in error, it probably cannot be recovered, Luebberke opined.

When an innocent individual relying on an agency's promise takes actions that are irreversible, or damaging to reverse, courts usually forbid the agency to renege, Luebberke said.

Besides, "There really isn't any bad actor," Luebberke said. "There isn't anyone who has taken advantage. Therefore, it is difficult to recover this far down the road."

Besides Mayor Johnston, the two sitting council members receiving the illegal benefit are Elbert Holman and Dale Fritchen. They, like all council members, expressed dismay at the seemingly unending revelations of fiscal incompetence.

"Every time we turn over a rock, we open up Pandora's box," Holman said. "It's really disheartening to believe that our city's been managed like this all these years."

Fritchen: "We were given misinformation which caused us to accept something we weren't due. And that has harmed our credibility. And that is troubling to me."

Leaders of public employee unions were outraged.

"I'm shocked," said Debra Froshaug, president of the Stockton City Employees' Association.

Steve Leonesio, president of the Stockton Police Officers Association, decried the benefit's apparent back-room origin. "No staff report, no vote - someone just decided, 'Hey, this is a pretty good benefit,' " Leonesio said.

City officials said the benefit will be stopped as soon as possible. They cannot say when. To date they have been unable to figure out the proper authority at CalPERS.

A CalPERS spokesperson offered advice.

"All they need to do is call our customer service line, identify themselves as an employer and all their questions will be cleared up," said Amy Norris.

Norris added, "There's actually very little wait time on our customer service line."

Contact columnist Michael Fitzgerald at (209) 546-8270 or michaelf@recordnet.com. Visit his blog at recordnet.com/fitzgeraldblog.

HOME

Reader Reaction

Comments (38)

Sort By: Most Recent

Silencio

There is a scene in the 1942 movie, when the Cheif of Police comes out of the back gambling room and says. "I am shocked to learn that there is gambling going on here." "Here are your winnings, Sir." LOL We need classes in remedial government and reading comprehension for our all our City employees.

2 Months Ago Share

Anthony

Well...well... City Administrators are incompetent! ..what a revelation ... and then Panizza, an architect of backroom politics , blames it on Alan Harvey ... It started with Gary Ingraham, L. Patrick Samsell, Dwayne Milnes etc... period....if this was all they did , it would be peanuts ... ask Gary Ingraham about the nearly 2 Million dollars of unpaid Water and Sewer bills that were written off , that happened during his tenure as Finance Director ... ask L. Patrick Samsell, how he failed to uphold his fiduciary responsibility , by letting Milnes charge Municipal Utilities accounts for 80% of the City Manager's and the City Attorney's office payroll, which by the way is "illegal"....and countless other items .... and oh yes, our illustrious Mayor Ann Johnston, who claims she didnt know...well she should have known, how else can you lead a City if you dont even know what's in the City Charter ... and finally ask Milnes, Ingraham and Samsell , why when any employee didnt buy in to their questionable practices , the employee's would be punished ....

2 Months Ago Share

David Golen

I don't always agree with the Record's point of views, but have begged for unbiased articles and opinions for years. I will actually give you credit this time for putting out facts even if they are unfavorable to the city. I like old investigative reporting styles. Search, hunt and dig for the information, so that the full picture can be told. Keep putting out information like this and I may start to consider the record as a reliable source for local news. But like others have said, follow up and publicize the ones who refuse to return the money. And if the City refuses to collect make sure it is clear why. Don't let the use the high priced attorneys to keep them from returning the money. No other City employees would be allowed to use them and would be forced to get their own representation. As for the City officials that got the illegal perks, shame on you if you don't return it. This is why you take from the city workers that have worked in Stockton for 30 or more years. So that you can fill your pockets. What else are you stealing?

Kelly Carreno-Jack likes this.

2 Months Ago Share

1stwatch1AD8

Well, the Asparagus Festival begins this weekend. The Council will be wasting more of the hard earned tax dollars of the Citizens of Stockton since the Festival has always shown a loss of money for the city.

Kelly Carreno-Jack likes this.

2 Months Ago Share

1stwatch1AD8

Could it be that the Council is so ignorant that they beleived they could enter the process to file for bankruptcy, and at the same time keep hiding the City finances? That really is scary!

Kelly Carreno-Jack likes this.

2 Months Ago Share

Lisa Rocco-Richards

Here is what needs to be done. Cancel all scheduled public council meetings until further notice. In exchange use the standard meeting times, Issue a copy of the City Charter to the Mayor and every councilperson. REQUIRE the Mayor and each councilperson to read aloud EACH section of the Charter. This will all be recorded on tape to be preserved so they can no longer claim ignorance!!!

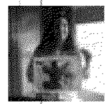
Anthony, Kelly Carreno-Jack and 1stwatch1AD8 like this.

2 Months Ago Share

stocktonmom1

Watched the news last night and what I heard from our mayor was unbelievable. Our mayor is going to weigh her options on giving the money back - give me a break. She has over $45,000 of illegally obtained funds and needs to weigh her options. Mike, please, please follow up on each and every one of these council members/mayors and keep the public updated on whether they plan to keep their illegally obtained funds. Again, I have more respect for Fritchen after watching the news last night. He talked to his children about receiving something that was not his and he is giving it back. Thank you, thank you! The fact that it took Fitz a month to convince our city attorney that public money was being given to our elected officials speaks volumes.

Kelly Carreno-Jack likes this.



2 Months Ago Share

Lori D

I am aware of at least two SJ County employees who were "over paid" because of a County error. After realizing the error, the County was very quick to collect these monies. In the case of the employee that was still working, the County took their money back on each of his paychecks until the total repayment reached the amount "owed". If a taxpayer "accidentally" underpaid ANY government agency, there is NO WAY they would be exempt from repaying. ONLY in Stockton.

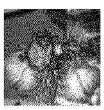
2 Months Ago Share

lockelimited

The mayor should step down, immediately, our elected officials should know the charter. The council shouldn't blame staff for this fupah. Agatn blame it on misinformation, I wonder if their medical benefits are legal or will misinformation be the excuse also. A vote for an incumbant would mean 4 more years of misinformation. Mayor Johnston I wish you the best, however it's time to go back to arranging baloons/

Kelly Carreno-Jack likes this.

2 Months Ago Share

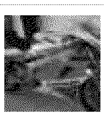


Peggy Jackson

The story behind the story. Mr. Fitzgerald . . . how did you come about this story? Was it fed to you by administration so that it would not be discovered by the State audit? I don't think that Mr. Deis would have a problem throwing Johnston under the bus as long as he got to Fritchen and Holman, the two Councilmembers responsible for placing the motion before the Council that the independent audit be made rather than have the CM and CA conduct the audit. Had they conducted the audit, what are the chances this would have ever come to light? Are they trying to tidy up the house before Mr. Chiang arrives. Nonetheless, it is still misuse of taxpayer dollars. For 21 years not a single Councilmember questioned the Charter language relative to retirement benefits they were unlawfully receiving?

Kelly Carreno-Jack and 1stwatch1AD8 like this.

2 Months Ago Share



G M

I have been telling people she was corrupt and a waste of city money from the beginning. This all confirms what I have been saying all along. "When the righteous are in authority, the people rejoice: but when the wicked bears rule, the people mourn." Proverbs 29:2 This city is mourning in more ways than one!

1stwatch1AD8, stocktonmom1 and Kelly Carreno-Jack like this.

2 Months Ago Share

angry fem

Never use "government and honest" in the same sentence! Oxymoron if there ever was one

1stwatch1AD8 and Kelly Carreno-Jack like this.

2 Months Ago Share

angry fem

Here we go again-- gov't playing hide the bone. When are we going to get fiscal accounting here. Someone always knows whats going on. When do the books get balanced? Where is the city manager or treasurer? We need more accountability if we are ever going to get out of this mess. Someone had access to these funds and thats where they should start looking, and file em-bezzlement charges. That should prevent future looting of the taxpayers money. When some of them go to prison it will end.

1stwatch1AD8, stocktonmom1 and Kelly Carreno-Jack like this.

2 Months Ago Share

Kristina

IF we are to believe the explanations of those involved.... the fact that as new hires they were sat down by "someone" from HR who told them they HAD to choose from 3 programs for retirement (even though part timers don't earn retirement-) then wouldn't that mean that ALL of the council members are guilty of this ? You have listed the Mayor , and then Fritchen/Holman - but what did the other council members pick as their retirement ???? Where did that money go ???? So instead of just throwing a select few under this bus - make sure they are all on board with the truth .... EVERY SINGLE ONE OF THEM is responsible to know and understand THEIR city charter. IF the lawyer is not capable of doing it and understanding it, then we have someone to let go. I have heard Mrs. Johnston say in several interviews it's wrong and she's angry ...yet when asked if she was giving the money back she responded she had to go over her options.... OPTIONS??? Option #1 - you're an honest law abiding person who gives back something that doesn't belong to you. Option #2 - You are a thief! .... I can see why she needs more time for such a tough complicated option weighing.... (Really ??? Stocktonians would that be hard for u ???)

1stwatch1AD8, stocktonmom1 and Kelly Carreno-Jack like this.

2 Months Ago Share

tg95610 Margaret M...Are you joking?? They can recover it. The people that took it, return it!! I know a person that was overpaid (at no fault of her own) and, YES, by the City of Stockton. When it was discovered she repaid it!! It was not her fault. It was an error made by her payroll. However, it was still repaid. We are talking thousands of dollars. I am sure CalPers will work with the city and take it straight out of the retirement funds. As for the ones that have cashed out; they should payback as well. If they have to do it in reasonable payments, then do it in payments. Hell, they should all have to pay interest as well!!! If they keep it, that makes them thieves. Criminals!!

2 Months Ago Share

More

• Go Back to Michael Fitzgerald

Exhibit F

CalPERS Actuarial Valuation as of June 30, 2010 at 5 (Miscellaneous Plan of the City of Stockton)

Winston & Strawn LLP
101 California Street
San Francisco, CA 94111-5802

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 2011

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

Dear Employer,

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

Changes Since the Prior Year's Valuation

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

There may also be changes specific to your plan such as contract amendments and funding changes.

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

Future Contribution Rates

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

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

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

The estimates for 2013/2014 and 2014/2015 also assume that there are no future amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). **This is a very important assumption because these gains and losses do occur and can have a significant impact on your contribution rate.** Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate of one or two percent and may be even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rates are just estimates. Your actual rate for 2013/2014 will be provided in next year's report.

CalPERS

ACTUARIAL VALUATION
as of June 30, 2010

for the MISCELLANEOUS PLAN of the CITY OF STOCKTON
(EMPLOYER # 55)

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

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, 2010 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The undersigned listed are actuaries for CalPERS. Both are members of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Kelly Sturm

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

Alan Milligan

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

HIGHLIGHTS AND EXECUTIVE SUMMARY

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

Purpose of the Report

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

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

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

Required Contributions

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

Funded Status

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

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

Cost and Volatility

Actuarial Cost Estimates in General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future. 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 7.75% for the past twenty year period ending June 30, 2011, returns for each fiscal year ranged from -24% to +20.7%

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.

Rate Volatility

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

Plans that have higher asset to payroll ratios produce more volatile employer rates due to investment return. On the following page we have shown your volatility index, a measure of the plan's potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the plan matures.

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

Changes since the Prior Valuation

Actuarial Assumptions

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

Actuarial Methods

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

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

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

Benefits

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

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

SUMMARY OF LIABILITIES AND RATES

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

Development of Accrued and Unfunded Liabilities

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

(Gain)/Loss Analysis 6/30/09 – 6/30/10

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 6/30/09	$	56,477,102
2.	Expected Payment on the UAL during 2009/2010		1,631,651
3.	Interest through 6/30/10 [.0775 x (A1) - ((1.0775)^{½} - 1) x (A2)]		4,314,929
4.	Expected UAL before all other changes [(A1) - (A2) + (A3)]		59,160,380
5.	Change due to plan changes		0
6.	Change due to assumption change		0
7.	Expected UAL after all other changes [(A4) + (A5) + (A6)]		59,160,380
8.	Actual UAL as of 6/30/10		52,804,080
9.	Total (Gain)/Loss for 2009/2010 [(A8) - (A7)]	$	(6,356,300)
B	**Contribution (Gain)/Loss for the Year**		
1.	Expected Contribution (Employer and Employee)	$	12,911,772
2.	Interest on Expected Contributions		490,996
3.	Actual Contributions		12,994,105
4.	Interest on Actual Contributions		494,127
5.	Expected Contributions with Interest [(B1) + (B2)]		13,402,768
6.	Actual Contributions with Interest [(B3) + (B4)]		13,488,232
7.	Contribution (Gain)/Loss [(B5) - (B6)]	$	(85,464)
C	**Asset (Gain)/Loss for the Year**		
1.	Actuarial Value of Assets as of 6/30/09 Including Receivables	$	478,673,431
2.	Receivables as of 6/30/09		567,753
3.	Actuarial Value of Assets as of 6/30/09		478,105,678
4.	Contributions Received		12,994,105
5.	Benefits and Refunds Paid		(24,922,266)
6.	Transfers/Misc. Adjustments		33,975
7.	Expected Int. [.0775 x (C3) + ((1.0775)^{½} - 1) x ((C4) + (C5) + (C6))]		36,600,890
8.	Expected Assets as of 6/30/10 [(C3) + (C4) + (C5) + (C6) + (C7)]		502,812,382
9.	Receivables as of 6/30/10		510,605
10.	Expected Assets Including Receivables		503,322,987
11.	Actual Actuarial Value of Assets as of 6/30/10		495,325,729
12.	Asset (Gain)/Loss [(C10) - (C11)]	$	7,997,258
D	**Liability (Gain)/Loss for the Year**		
1.	Total (Gain)/Loss (A9)	$	(6,356,300)
2.	Contribution (Gain)/Loss (B7)		(85,464)
3.	Asset (Gain)/Loss (C12)		7,997,258
4.	Liability (Gain)/Loss [(D1) - (D2) - (D3)]	$	(14,268,094)

Development of the (Gain)/Loss Balance as of 6/30/10**

1.	(Gain)/Loss Balance as of 6/30/09	$	17,338,708
2.	Payment Made on the Balance during 2009/2010		138,492
3.	Interest through 6/30/10 [.0775 x (1) - ((1.0775)$^{1/2}$ - 1) x (2)]		1,338,483
4.	Scheduled (Gain)/Loss Balance as of 6/30/10 [(1) - (2) + (3)]	$	18,538,699

* The Total (Gain)/Loss for 2009/2010 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 6/30/10 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, 2010).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2012/2013).

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

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

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

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

Reconciliation of Required Employer Contributions

	Percentage of Projected Payroll	Estimated $ Based on Projected Payroll
1. Contribution for 7/1/11 – 6/30/12 (from prior year annual report)	16.941%	$ 11,610,447
2. Effect of changes since the prior year annual valuation		
a) Effect of unexpected changes in demographics and financial results	(0.060%)	(36,794)
b) Effect of plan changes	0.000%	0
c) Effect of changes in Assumptions	0.000%	0
d) Effect of change in payroll	-	(1,120,504)
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)]	(0.060%)	(1,157,298)
3. Contribution for 7/1/12 – 6/30/13 [(1)+(2g)]	16.881%	10,453,149

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

Funding History

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

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

SUMMARY OF ASSETS

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

Reconciliation of the Market Value of Assets

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

Development of the Actuarial Value of Assets

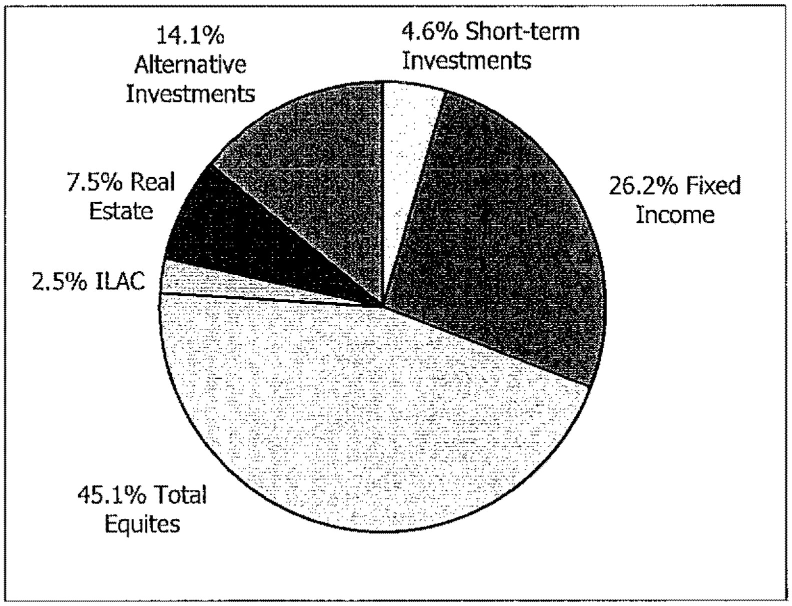
1.	Actuarial Value of Assets as of 6/30/09 Used For Rate Setting Purposes	$	478,673,431
2.	Receivables for Service Buybacks as of 6/30/09		567,753
3.	Actuarial Value of Assets as of 6/30/09		478,105,678
4.	Employer Contributions		7,924,913
5.	Employee Contributions		5,069,192
6.	Benefit Payments to Retirees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

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, 2010. The assets for CITY OF STOCKTON MISCELLANEOUS PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

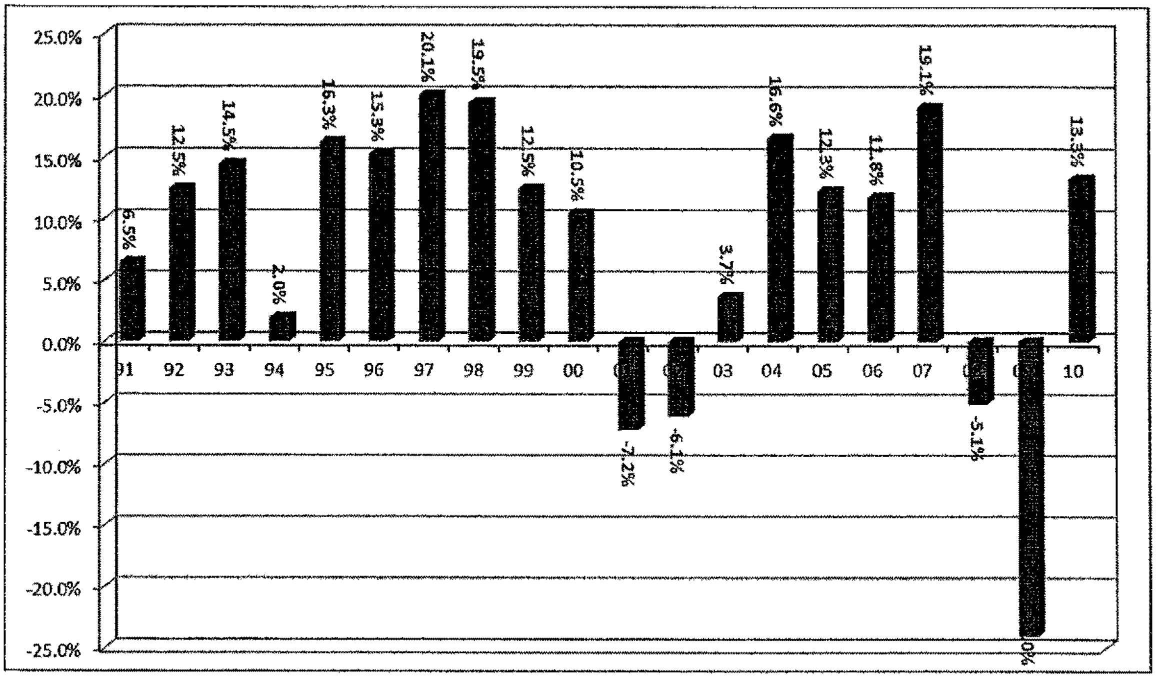
(A) Asset Class	(B) Market Value ($ Billion)	(C) Current Allocation	(D) Current Target
1) Short-term Investments	9.3	4.6%	4.0%
2) Total Global Fixed Income	53.4	26.2%	16.0%
3) Total Equities	91.9	45.1%	49.0%
4) Inflation Linked (ILAC)	5.0	2.5%	4.0%
5) Total Real Estate	15.2	7.5%	13.0%
6) Alternative Investments	28.7	14.1%	14.0%
Total Fund	203.5[1]	100.0%	100.0%



[1] Differences between investment values above and the values on the Summary of Investments on page 23 of the Comprehensive Annual Financial Report (Year Ended June 30, 2010) are due to differences in reporting methods. The Summary of Investments includes Net Investment Receivables/Payables.

CalPERS 20-Year History of Investment Returns

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



SUMMARY OF PARTICIPANT DATA

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

Summary of Valuation Data

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

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

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	7	0	0	0	0	0	7
25-29	57	9	0	0	0	0	66
30-34	35	13	6	0	0	0	54
35-39	45	26	23	2	0	0	96
40-44	48	24	35	17	5	0	129
45-49	30	20	41	30	21	13	155
50-54	36	24	26	37	26	35	184
55-59	11	22	20	23	25	19	120
60-64	11	13	13	8	6	14	65
65 and over	5	6	3	2	2	0	18
All Ages	285	157	167	119	85	81	894

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	$36,443	$0	$0	$0	$0	$0	$36,443
25-29	47,641	60,691	0	0	0	0	49,420
30-34	53,079	68,355	52,518	0	0	0	56,694
35-39	52,820	60,537	67,103	77,064	0	0	58,837
40-44	53,039	75,461	64,845	69,124	62,320	0	62,893
45-49	56,942	65,640	66,645	72,140	77,424	74,755	67,841
50-54	66,183	70,074	68,339	68,727	61,065	66,090	66,766
55-59	57,259	62,605	58,477	65,071	67,276	71,452	64,274
60-64	63,597	75,668	58,680	85,386	71,718	76,507	71,240
65 and over	21,118	46,134	46,766	60,979	63,945	0	42,919
All Ages	$53,603	$66,575	$64,132	$70,068	$67,827	$70,539	$62,926

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age and Service

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

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

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

Retired Members and Beneficiaries

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	2	3
30-34	0	0	1	0	0	1	2
35-39	0	0	1	0	0	0	1
40-44	0	6	4	0	0	2	12
45-49	0	2	0	0	0	8	10
50-54	43	8	4	0	0	2	57
55-59	194	11	12	1	0	12	230
60-64	317	20	15	0	0	15	367
65-69	219	12	5	0	0	19	255
70-74	141	6	0	4	0	31	182
75-79	129	15	0	0	0	35	179
80-84	107	4	1	0	0	47	159
85 and Over	87	16	0	1	0	60	164
All Ages	1237	100	43	7	0	234	1,621

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	$3,830	$0	$3,621	$3,690
30-34	0	0	163	0	0	4,244	2,204
35-39	0	0	128	0	0	0	128
40-44	0	13,613	1,225	0	0	7,258	8,424
45-49	0	2,677	0	0	0	15,980	13,320
50-54	9,326	11,169	304	0	0	8,236	8,914
55-59	19,741	10,719	2,297	13,063	0	13,772	18,059
60-64	21,982	9,462	4,646	0	0	9,441	20,079
65-69	21,945	10,144	3,361	0	0	10,256	20,154
70-74	15,401	12,202	0	6,767	0	12,151	14,552
75-79	13,977	6,605	0	0	0	9,597	12,503
80-84	12,200	4,186	54	0	0	9,523	11,131
85 and Over	9,694	5,628	0	31	0	7,751	8,527
All Ages	$17,889	$8,843	$2,803	$6,285	$0	$9,817	$15,715

Retired Members and Beneficiaries (continued)

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

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

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

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

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

APPENDICES

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

APPENDIX A

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

Actuarial Data

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

Actuarial Methods

Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years' gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

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

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

The necessary additional contribution will be obtained by changing the amortization period of the gains and losses prior to 2009 to a period which will result in the satisfaction of the above criteria. CalPERS actuaries will reassess the criteria above when performing each future valuation to determine whether or not additional contributions are necessary.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. As mentioned above, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. However, in the case of a 30-year fresh start, just the unfunded liability not already in the (gain)/loss base (which already is amortized over 30 years) will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

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

Miscellaneous

Superfunded Status

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

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

Internal Revenue Code Section 415

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

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.

Actuarial Assumptions

Economic Assumptions

Investment Return

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

Salary Growth

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

Public Agency Miscellaneous

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

Public Agency Fire

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

Public Agency Police

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

Public Agency County Peace Officers

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1315	0.1315	0.1315
1	0.1115	0.1085	0.1055
2	0.0965	0.0915	0.0865
3	0.0845	0.0795	0.0735
4	0.0755	0.0695	0.0635
5	0.0685	0.0625	0.0555
10	0.0485	0.0445	0.0405
15	0.0435	0.0405	0.0385
20	0.0395	0.0385	0.0365
25	0.0375	0.0365	0.0355
30	0.0375	0.0365	0.0355

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

Overall Payroll Growth

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

Inflation

3.00% compounded annually. This assumption is used for all plans.

Non-valued Potential Additional Liabilities

The potential liability loss for a cost-of-living increase exceeding the 3% inflation assumption, and any potential liability loss from future member service purchases are not reflected in the valuation.

Miscellaneous Loading Factors

Credit for Unused Sick Leave

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

Conversion of Employer Paid Member Contributions (EPMC)

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

Norris Decision (Best Factors)

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

Demographic Assumptions

Pre-Retirement Mortality

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

	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
Age	Male	Female	Male and Female
20	0.00047	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

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.

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.

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
Age	Male	Female	Male and Female	Male and Female	Male and Female
20	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0001	0.0001	0.0001	0.0001	0.0001
30	0.0002	0.0002	0.0001	0.0002	0.0001
35	0.0006	0.0009	0.0001	0.0003	0.0004
40	0.0015	0.0016	0.0001	0.0004	0.0007
45	0.0025	0.0024	0.0002	0.0005	0.0013
50	0.0033	0.0031	0.0005	0.0008	0.0018
55	0.0037	0.0031	0.0010	0.0013	0.0010
60	0.0038	0.0025	0.0015	0.0020	0.0006

- 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.

Public Agency Miscellaneous 1.5% @ 65

Age	Duration of Service					
	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

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

Public Agency Miscellaneous 2% @ 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

Public Agency Miscellaneous 2.7% @ 55

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

Public Agency Miscellaneous 3% @ 60

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

Public Agency Fire 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.

Public Agency Fire 2%@50

Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
	Duration of Service					
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

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

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

Public Agency Fire 3%@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.

Public Agency Fire 3%@50

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

APPENDIX B

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

Summary of Major Benefit Options

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

	Coverage Group			
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
Contractual Employee Cost Sharing	0%	0%	0%	0%

DESCRIPTION OF PRINCIPAL PLAN PROVISIONS

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

Service Retirement

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

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

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

Miscellaneous Plan Formulas

Retirement Age	1.5% at 65	2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60
50	0.5000%	1.092%	1.426%	2.0%	2.0%	2.0%
51	0.5667%	1.156%	1.522%	2.1%	2.14%	2.1%
52	0.6334%	1.224%	1.628%	2.2%	2.28%	2.2%
53	0.7000%	1.296%	1.742%	2.3%	2.42%	2.3%
54	0.7667%	1.376%	1.866%	2.4%	2.56%	2.4%
55	0.8334%	1.460%	2.0%	2.5%	2.7%	2.5%
56	0.9000%	1.552%	2.052%	2.5%	2.7%	2.6%
57	0.9667%	1.650%	2.104%	2.5%	2.7%	2.7%
58	1.0334%	1.758%	2.156%	2.5%	2.7%	2.8%
59	1.1000%	1.874%	2.210%	2.5%	2.7%	2.9%
60	1.1667%	2.0%	2.262%	2.5%	2.7%	3.0%
61	1.2334%	2.134%	2.314%	2.5%	2.7%	3.0%
62	1.3000%	2.272%	2.366%	2.5%	2.7%	3.0%
63	1.3667%	2.272%	2.366%	2.5%	2.7%	3.0%
64	1.4334%	2.272%	2.366%	2.5%	2.7%	3.0%
65 & Up	1.5000%	2.418%	2.418%	2.5%	2.7%	3.0%

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 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

This is a standard benefit.

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

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

Optional Settlement 2W Death Benefit

This is an optional benefit.

Eligibility
An employee's *eligible survivor* may receive the Optional Settlement 2W Death benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all

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, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. The contribution rate for the indicated period is 16.881% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2012 to June 30, 2013. The employer and the employer's auditor are responsible for determining the NPO and the APC.

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

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

	Retirement Program
Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	22 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. More complete information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

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

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (AVA) (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/06	$ 421,341,956	$ 370,043,659	$ 51,298,297	87.8%	93.3%	$ 53,640,119	95.6%
06/30/07	453,621,297	434,989,302	18,631,995	95.9%	110.4%	57,119,972	32.6%
06/30/08	491,467,308	460,950,390	30,516,918	93.8%	95.1%	66,743,768	45.7%
06/30/09	535,150,533	478,673,431	56,477,102	89.4%	64.6%	62,265,227	90.7%
06/30/10	548,129,809	495,325,729	52,804,080	90.4%	69.9%	56,256,198	93.9%

APPENDIX D

INVESTMENT RETURN SENSITIVITY ANALYSIS

Investment Return Sensitivity Analysis

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

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

Based on a 20% investment return for fiscal year 2010-2011 and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2013-2014, the effect on the 2013-2014 Employer Rate is as follows:

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

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2011-2012, 2012-2013 and 2013-2014 on the 2014-2015, 2015-2016 and 2016-2017 employer rates. Once again, the projected rate increases assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

Five different investment return scenarios were selected.

- The first scenario is what one would expect if the markets were to give us a 5th percentile return from July 1, 2011 through June 30, 2014. The 5th percentile return corresponds to a -3.64% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2011 through June 30, 2014. The 25th percentile return corresponds to a 2.93% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
- The third scenario assumed the return for 2011-2012, 2012-2013, 2013-2014 would be our assumed 7.75% investment return which represents about a 49th percentile event.
- The fourth scenario is what one would expect if the markets were to give us a 75th percentile return from July 1, 2011 through June 30, 2014. The 75th percentile return corresponds to a 12.25% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
- Finally, the last scenario is what one would expect if the markets were to give us a 95th percentile return from July 1, 2011 through June 30, 2014. The 95th percentile return corresponds to a 19.02% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.

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

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

APPENDIX E

GLOSSARY OF ACTUARIAL TERMS

Glossary of Actuarial Terms

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

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

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

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

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

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

Amortization Bases
Separate payment schedules for different portions of the unfunded liability. The total unfunded liability of a risk pool or non-pooled plan can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in unfunded liability due to amendments, actuarial assumption changes, actuarial methodology changes, and gains and losses. Payment periods are determined by Board policy and vary based on the cause of the change.

Amortization Period
The number of years required to pay off an amortization base.

Annual Required Contributions (ARC)
The employer's periodic required annual contributions to a defined benefit pension plan as set forth in GASB Statement No. 27, calculated in accordance with the plan assumptions. The ARC is determined by multiplying the employer contribution rate by the payroll reported to CalPERS for the applicable fiscal year. However, if this contribution is fully prepaid in a lump sum, then the dollar value of the ARC is equal to the Lump Sum Prepayment.

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

Entry Age Normal Cost Method
An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll.

(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 is. Or equivalently, how "on track" a plan 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.

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

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

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

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

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

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

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

Unfunded Liability or Unfunded Accrued Liability (UAL)
A plan with an actuarial value of assets below the accrued liability is said to have an unfunded liability and must temporarily increase contributions to get back on schedule.

Exhibit G

CalPERS Actuarial Valuation as of June 30, 2010 at 5 (Safety Plan of the City of Stockton)

Winston & Strawn LLP
101 California Street
San Francisco, CA 94111-5802

California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
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October 2011

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

Dear Employer,

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

Changes Since the Prior Year's Valuation

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

There may also be changes specific to your plan such as contract amendments and funding changes.

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

Future Contribution Rates

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

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

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

The estimates for 2013/2014 and 2014/2015 also assume that there are no future amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). **This is a very important assumption because these gains and losses do occur and can have a significant impact on your contribution rate.** Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate of one or two percent and may be even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rates are just estimates. Your actual rate for 2013/2014 will be provided in next year's report.

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, MAAA, FCA, FSA, FCIA
Chief Actuary

CalPERS

ACTUARIAL VALUATION
as of June 30, 2010

for the SAFETY PLAN of the CITY OF STOCKTON
(EMPLOYER # 55)

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

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 SAFETY PLAN OF THE CITY OF STOCKTON. This valuation is based on the member and financial data as of June 30, 2010 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The undersigned listed are actuaries for CalPERS. Both are members of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Kelly Sturm

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

Alan Milligan

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

HIGHLIGHTS AND EXECUTIVE SUMMARY

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

Purpose of the Report

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

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

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

Required Contributions

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

Funded Status

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

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

Cost and Volatility

Actuarial Cost Estimates in General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future. 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 7.75% for the past twenty year period ending June 30, 2011, returns for each fiscal year ranged from -24% to +20.7%

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.

Rate Volatility

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

Plans that have higher asset to payroll ratios produce more volatile employer rates due to investment return. On the following page we have shown your volatility index, a measure of the plan's potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the plan matures.

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

Changes since the Prior Valuation

Actuarial Assumptions

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

Actuarial Methods

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

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

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

Benefits

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

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

SUMMARY OF LIABILITIES AND RATES

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

Development of Accrued and Unfunded Liabilities

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

(Gain)/Loss Analysis 6/30/09 – 6/30/10

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 6/30/09	$	79,384,620
	2.	Expected Payment on the UAL during 2009/2010		669,130
	3.	Interest through 6/30/10 [.0775 x (A1) - ((1.0775)$^{1/2}$ - 1) x (A2)]		6,126,863
	4.	Expected UAL before all other changes [(A1) - (A2) + (A3)]		84,842,353
	5.	Change due to plan changes		0
	6.	Change due to assumption change		0
	7.	Expected UAL after all other changes [(A4) + (A5) + (A6)]		84,842,353
	8.	Actual UAL as of 6/30/10		95,723,877
	9.	Total (Gain)/Loss for 2009/2010 [(A8) - (A7)]	$	10,881,524
B		**Contribution (Gain)/Loss for the Year**		
	1.	Expected Contribution (Employer and Employee)	$	18,368,399
	2.	Interest on Expected Contributions		698,495
	3.	Actual Contributions		18,304,662
	4.	Interest on Actual Contributions		696,071
	5.	Expected Contributions with Interest [(B1) + (B2)]		19,066,894
	6.	Actual Contributions with Interest [(B3) + (B4)]		19,000,733
	7.	Contribution (Gain)/Loss [(B5) - (B6)]	$	66,161
C		**Asset (Gain)/Loss for the Year**		
	1.	Actuarial Value of Assets as of 6/30/09 Including Receivables	$	644,939,577
	2.	Receivables as of 6/30/09		909,447
	3.	Actuarial Value of Assets as of 6/30/09		644,030,130
	4.	Contributions Received		18,304,662
	5.	Benefits and Refunds Paid		(36,608,009)
	6.	Transfers/Misc. Adjustments		135,047
	7.	Expected Int. [.0775 x (C3) + ((1.0775)$^{1/2}$ - 1) x ((C4) + (C5) + (C6))]		49,221,450
	8.	Expected Assets as of 6/30/10 [(C3) + (C4) + (C5) + (C6) + (C7)]		675,083,280
	9.	Receivables as of 6/30/10		779,684
	10.	Expected Assets Including Receivables		675,862,964
	11.	Actual Actuarial Value of Assets as of 6/30/10		662,601,684
	12.	Asset (Gain)/Loss [(C10) - (C11)]	$	13,261,280
D		**Liability (Gain)/Loss for the Year**		
	1.	Total (Gain)/Loss (A9)	$	10,881,524
	2.	Contribution (Gain)/Loss (B7)		66,161
	3.	Asset (Gain)/Loss (C12)		13,261,280
	4.	Liability (Gain)/Loss [(D1) - (D2) - (D3)]	$	(2,445,917)

Development of the (Gain)/Loss Balance as of 6/30/10**

1.	(Gain)/Loss Balance as of 6/30/09	$	18,492,200
2.	Payment Made on the Balance during 2009/2010		67,811
3.	Interest through 6/30/10 [.0775 x (1) - ((1.0775)$^{1/2}$ - 1) x (2)]		1,430,567
4.	Scheduled (Gain)/Loss Balance as of 6/30/10 [(1) - (2) + (3)]	$	19,854,956

* The Total (Gain)/Loss for 2009/2010 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 6/30/10 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, 2010).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2012/2013).

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

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

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

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

Reconciliation of Required Employer Contributions

	Percentage of Projected Payroll	Estimated $ Based on Projected Payroll
1. Contribution for 7/1/11 – 6/30/12 (from prior year annual report)	29.099%	$ 18,767,773
2. Effect of changes since the prior year annual valuation		
a) Effect of unexpected changes in demographics and financial results	2.691%	1,623,182
b) Effect of plan changes	0.000%	0
c) Effect of changes in Assumptions	0.000%	0
d) Effect of change in payroll	-	(1,216,328)
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)]	2.691%	406,854
3. Contribution for 7/1/12 – 6/30/13 [(1)+(2g)]	31.790%	19,174,627

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

Funding History

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

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

SUMMARY OF ASSETS

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

Reconciliation of the Market Value of Assets

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

Development of the Actuarial Value of Assets

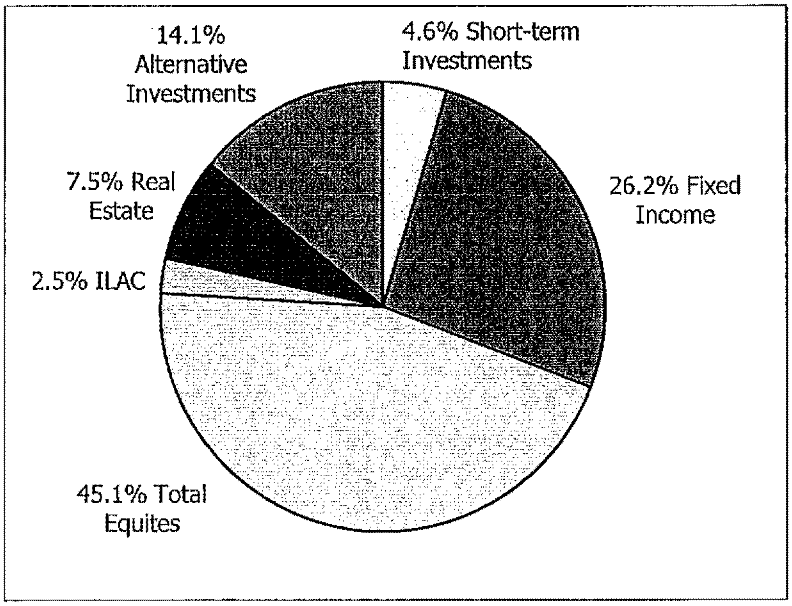
1.	Actuarial Value of Assets as of 6/30/09 Used For Rate Setting Purposes	$	644,939,577
2.	Receivables for Service Buybacks as of 6/30/09		909,447
3.	Actuarial Value of Assets as of 6/30/09		644,030,130
4.	Employer Contributions		12,260,454
5.	Employee Contributions		6,044,208
6.	Benefit Payments to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

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, 2010. The assets for CITY OF STOCKTON SAFETY PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

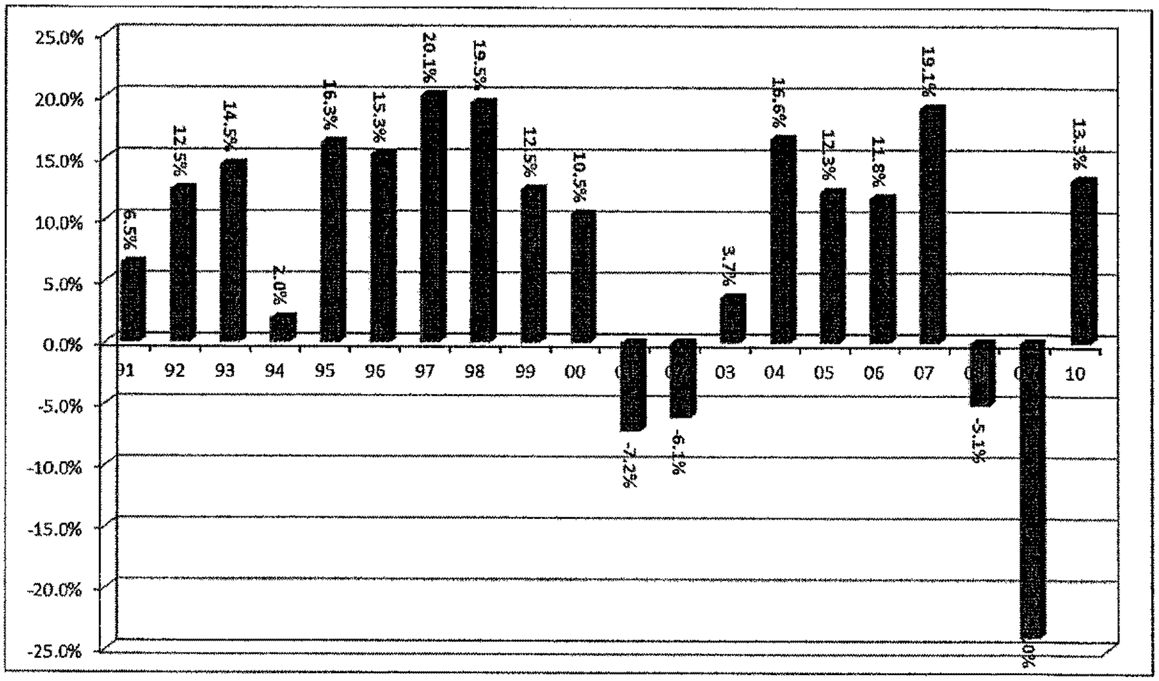
(A) Asset Class	(B) Market Value ($ Billion)	(C) Current Allocation	(D) Current Target
1) Short-term Investments	9.3	4.6%	4.0%
2) Total Global Fixed Income	53.4	26.2%	16.0%
3) Total Equities	91.9	45.1%	49.0%
4) Inflation Linked (ILAC)	5.0	2.5%	4.0%
5) Total Real Estate	15.2	7.5%	13.0%
6) Alternative Investments	28.7	14.1%	14.0%
Total Fund	203.5[1]	100.0%	100.0%



[1] Differences between investment values above and the values on the Summary of Investments on page 23 of the Comprehensive Annual Financial Report (Year Ended June 30, 2010) are due to differences in reporting methods. The Summary of Investments includes Net Investment Receivables/Payables.

CalPERS 20-Year History of Investment Returns

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



SUMMARY OF PARTICIPANT DATA

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

Summary of Valuation Data

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

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

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	47	24	0	0	0	0	71
30-34	39	67	11	0	0	0	117
35-39	21	52	49	19	0	0	141
40-44	5	24	23	53	20	0	125
45-49	0	7	11	39	32	13	102
50-54	0	1	4	5	10	5	25
55-59	0	0	1	2	0	1	4
60-64	0	0	0	0	0	0	0
65 and over	0	0	0	0	0	0	0
All Ages	116	175	99	118	62	19	589

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	$64,802	$0	$0	$0	$0	$0	$64,802
25-29	68,513	81,372	0	0	0	0	72,859
30-34	70,008	84,605	96,356	0	0	0	80,844
35-39	69,559	87,321	98,216	110,548	0	0	91,592
40-44	75,563	84,731	94,947	104,205	117,970	0	99,819
45-49	0	82,879	95,705	105,192	124,055	127,475	111,395
50-54	0	90,138	97,998	106,632	106,825	127,326	108,807
55-59	0	0	114,146	96,606	0	125,397	108,189
60-64	0	0	0	0	0	0	0
65 and over	0	0	0	0	0	0	0
All Ages	$69,381	$84,949	$97,123	$105,527	$119,313	$127,327	$93,036

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	9	0	0	0	0	0	9	70,555
30-34	13	0	0	0	0	0	13	72,826
35-39	21	4	0	0	0	0	25	78,510
40-44	17	4	4	0	0	0	25	91,250
45-49	9	3	1	0	0	0	13	77,001
50-54	4	2	0	0	0	0	6	91,071
55-59	2	0	0	0	0	0	2	57,545
60-64	1	0	0	0	0	0	1	82,478
65 and over	0	0	0	0	0	0	0	0
All Ages	76	13	5	0	0	0	94	80,540

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

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

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	0	0
30-34	0	0	2	0	0	0	2
35-39	0	0	9	0	0	0	9
40-44	0	1	23	0	0	0	24
45-49	0	0	22	0	1	0	23
50-54	53	1	33	0	1	3	91
55-59	51	0	37	0	1	6	95
60-64	65	0	55	0	1	9	130
65-69	61	3	40	0	2	11	117
70-74	35	1	22	0	2	10	70
75-79	34	0	8	0	0	13	55
80-84	20	0	6	0	0	20	46
85 and Over	9	0	1	0	1	17	28
All Ages	328	6	258	0	9	89	690

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	36,059	0	0	0	36,059
35-39	0	0	34,796	0	0	0	34,796
40-44	0	9,444	42,386	0	0	0	41,014
45-49	0	0	29,290	0	73,422	0	31,209
50-54	87,462	12,499	57,023	0	63,976	48,689	74,063
55-59	81,142	0	60,468	0	73,841	38,424	70,315
60-64	71,065	0	65,866	0	27,827	37,023	66,176
65-69	61,824	39,509	46,536	0	29,032	33,696	52,820
70-74	49,489	23,408	56,091	0	31,445	35,122	48,623
75-79	41,044	0	37,405	0	0	32,195	38,423
80-84	38,973	0	46,335	0	0	17,223	30,476
85 and Over	37,990	0	5,687	0	24,306	17,296	23,783
All Ages	$65,284	$27,313	$52,033	$0	$42,703	$27,963	$54,891

Retired Members and Beneficiaries (continued)

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

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

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

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

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

APPENDICES

APPENDIX A

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

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

Miscellaneous

Superfunded Status

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

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

Internal Revenue Code Section 415

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

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.

Actuarial Assumptions

Economic Assumptions

Investment Return

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

Salary Growth

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

Public Agency Miscellaneous

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

Public Agency Fire

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

Public Agency Police

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

Public Agency County Peace Officers

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1315	0.1315	0.1315
1	0.1115	0.1085	0.1055
2	0.0965	0.0915	0.0865
3	0.0845	0.0795	0.0735
4	0.0755	0.0695	0.0635
5	0.0685	0.0625	0.0555
10	0.0485	0.0445	0.0405
15	0.0435	0.0405	0.0385
20	0.0395	0.0385	0.0365
25	0.0375	0.0365	0.0355
30	0.0375	0.0365	0.0355

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

Overall Payroll Growth

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

Inflation

3.00% compounded annually. This assumption is used for all plans.

Non-valued Potential Additional Liabilities

The potential liability loss for a cost-of-living increase exceeding the 3% inflation assumption, and any potential liability loss from future member service purchases are not reflected in the valuation.

Miscellaneous Loading Factors

Credit for Unused Sick Leave

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

Conversion of Employer Paid Member Contributions (EPMC)

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

Norris Decision (Best Factors)

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

Demographic Assumptions

Pre-Retirement Mortality

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

	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
Age	Male	Female	Male and Female
20	0.00047	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

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.

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.

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
Age	Male	Female	Male and Female	Male and Female	Male and Female
20	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0001	0.0001	0.0001	0.0001	0.0001
30	0.0002	0.0002	0.0001	0.0002	0.0001
35	0.0006	0.0009	0.0001	0.0003	0.0004
40	0.0015	0.0016	0.0001	0.0004	0.0007
45	0.0025	0.0024	0.0002	0.0005	0.0013
50	0.0033	0.0031	0.0005	0.0008	0.0018
55	0.0037	0.0031	0.0010	0.0013	0.0010
60	0.0038	0.0025	0.0015	0.0020	0.0006

- 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.

Public Agency Miscellaneous 1.5% @ 65

Age	Duration of Service					
	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

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

Public Agency Miscellaneous 2% @ 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

Public Agency Miscellaneous 2.7% @ 55

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

Public Agency Miscellaneous 3% @ 60

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

Public Agency Fire 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.

Public Agency Fire 2%@50

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

Public Agency Police 3%@ 55

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

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

Public Agency Fire 3%@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.

Public Agency Fire 3%@50

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

APPENDIX B

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

Summary of Major Benefit Options

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

	Coverage Group	
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%
Contractual Employee Cost Sharing	0%	0%

DESCRIPTION OF PRINCIPAL PLAN PROVISIONS

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

Service Retirement

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

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

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

Miscellaneous Plan Formulas

Retirement Age	1.5% at 65	2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60
50	0.5000%	1.092%	1.426%	2.0%	2.0%	2.0%
51	0.5667%	1.156%	1.522%	2.1%	2.14%	2.1%
52	0.6334%	1.224%	1.628%	2.2%	2.28%	2.2%
53	0.7000%	1.296%	1.742%	2.3%	2.42%	2.3%
54	0.7667%	1.376%	1.866%	2.4%	2.56%	2.4%
55	0.8334%	1.460%	2.0%	2.5%	2.7%	2.5%
56	0.9000%	1.552%	2.052%	2.5%	2.7%	2.6%
57	0.9667%	1.650%	2.104%	2.5%	2.7%	2.7%
58	1.0334%	1.758%	2.156%	2.5%	2.7%	2.8%
59	1.1000%	1.874%	2.210%	2.5%	2.7%	2.9%
60	1.1667%	2.0%	2.262%	2.5%	2.7%	3.0%
61	1.2334%	2.134%	2.314%	2.5%	2.7%	3.0%
62	1.3000%	2.272%	2.366%	2.5%	2.7%	3.0%
63	1.3667%	2.272%	2.366%	2.5%	2.7%	3.0%
64	1.4334%	2.272%	2.366%	2.5%	2.7%	3.0%
65 & Up	1.5000%	2.418%	2.418%	2.5%	2.7%	3.0%

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 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

This is a standard benefit.

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

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

Optional Settlement 2W Death Benefit

This is an optional benefit.

Eligibility
An employee's *eligible survivor* may receive the Optional Settlement 2W Death benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all

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, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. The contribution rate for the indicated period is 31.790% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2012 to June 30, 2013. The employer and the employer's auditor are responsible for determining the NPO and the APC.

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

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

	Retirement Program
Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	28 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. More complete information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

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

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (AVA) (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/06	$ 579,610,838	$ 462,052,280	$ 117,558,558	79.7%	85.0%	$ 52,289,374	224.8%
06/30/07	619,816,290	592,315,427	27,500,863	95.6%	109.4%	54,127,744	50.8%
06/30/08	664,028,434	625,633,414	38,395,020	94.2%	95.0%	56,811,031	67.6%
06/30/09	724,324,197	644,939,577	79,384,620	89.0%	63.8%	58,595,623	135.5%
06/30/10	758,325,561	662,601,684	95,723,877	87.4%	67.2%	54,798,082	174.7%

APPENDIX D

INVESTMENT RETURN SENSITIVITY ANALYSIS

Investment Return Sensitivity Analysis

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

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

Based on a 20% investment return for fiscal year 2010-2011 and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2013-2014, the effect on the 2013-2014 Employer Rate is as follows:

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

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2011-2012, 2012-2013 and 2013-2014 on the 2014-2015, 2015-2016 and 2016-2017 employer rates. Once again, the projected rate increases assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

Five different investment return scenarios were selected.

- The first scenario is what one would expect if the markets were to give us a 5th percentile return from July 1, 2011 through June 30, 2014. The 5th percentile return corresponds to a -3.64% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2011 through June 30, 2014. The 25th percentile return corresponds to a 2.93% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
- The third scenario assumed the return for 2011-2012, 2012-2013, 2013-2014 would be our assumed 7.75% investment return which represents about a 49th percentile event.
- The fourth scenario is what one would expect if the markets were to give us a 75th percentile return from July 1, 2011 through June 30, 2014. The 75th percentile return corresponds to a 12.25% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
- Finally, the last scenario is what one would expect if the markets were to give us a 95th percentile return from July 1, 2011 through June 30, 2014. The 95th percentile return corresponds to a 19.02% return for each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years.

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

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

APPENDIX E

GLOSSARY OF ACTUARIAL TERMS

Glossary of Actuarial Terms

Accrued Liability *(also called Actuarial Accrued Liability or Entry Age Normal Accrued Liability)*

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

Actuarial Assumptions

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

Actuarial Methods

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

Actuarial Valuation

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

Actuarial Value of Assets

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

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

Amortization Bases

Separate payment schedules for different portions of the unfunded liability. The total unfunded liability of a risk pool or non-pooled plan can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in unfunded liability due to amendments, actuarial assumption changes, actuarial methodology changes, and gains and losses. Payment periods are determined by Board policy and vary based on the cause of the change.

Amortization Period

The number of years required to pay off an amortization base.

Annual Required Contributions (ARC)

The employer's periodic required annual contributions to a defined benefit pension plan as set forth in GASB Statement No. 27, calculated in accordance with the plan assumptions. The ARC is determined by multiplying the employer contribution rate by the payroll reported to CalPERS for the applicable fiscal year. However, if this contribution is fully prepaid in a lump sum, then the dollar value of the ARC is equal to the Lump Sum Prepayment.

Entry Age

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

Entry Age Normal Cost Method

An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll.

(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 is. Or equivalently, how "on track" a plan 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.

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

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

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

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

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

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

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

Unfunded Liability or Unfunded Accrued Liability (UAL)
A plan with an actuarial value of assets below the accrued liability is said to have an unfunded liability and must temporarily increase contributions to get back on schedule.