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September 24, 2003

**MISCELLANEOUS PLAN OF THE CITY OF NEWPORT BEACH (EMPLOYER # 60)
 Annual Valuation Report as of June 30, 2002**

Dear Employer,

Enclosed please find a copy of the June 30, 2002, actuarial valuation of your pension plan (a separate report is included for each plan). This valuation report contains important actuarial information about your pension plan at CalPERS. CalPERS staff actuaries are available to discuss the actuarial report with you.

Effect of Poor Economy on Future Contribution Rates

The poor economy continues to impact CalPERS plans by causing employer contribution rates to increase. We now know the impact on your fiscal year 2004/2005 employer contribution rate and have ESTIMATED the impact on your fiscal 2005/2006 employer contribution rate.

The exhibit below displays the required and projected employer contribution rates along with the Superfunded status for fiscal years 2004/2005 and 2005/2006, respectively. The rate for 2005/2006 shown below is an estimate based on a projection of the most recent information we have available, including our latest best estimate of the investment return for fiscal 2002/2003, namely 4.0%. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2004/2005	4.328%	NO
2005/2006	6.5% (projected)	NO

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

The projection also assumes that there are no amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). This is a very significant assumption because these gains and losses do occur and can have a significant effect on your contribution rate. Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate of one or two percent or larger in some less common instances. The contribution rates for smaller plans are much more sensitive to liability gains and losses. Unfortunately, these gains and losses cannot be predicted so the projected employer contribution rate is just an estimate.

We are very busy preparing actuarial valuations for other public agencies and expect to complete all such valuations by the end of October. We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their result, we ask that, if at all possible, you wait until after October 31 to contact us with questions. If you have questions, please call (888) CalPERS (225-7377).

Sincerely,

Ronald L. Seeling
 Chief Actuary, Actuarial and Employer Services

ACTUARIAL VALUATION
as of June 30, 2002
for the
MISCELLANEOUS PLAN
of the
CITY OF NEWPORT BEACH
(EMPLOYER # 60)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2004 - June 30, 2005



California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
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September 24, 2003

This report presents the results of the June 30, 2002 actuarial valuation of the MISCELLANEOUS PLAN OF THE CITY OF NEWPORT BEACH of the California Public Employees' Retirement System (CalPERS). The valuation was performed by CalPERS staff actuaries in order to:

- set forth the actuarial assets and funding liabilities of this plan as of June 30, 2002;
- certify the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2004 through June 30, 2005 is 4.328%;
- provide actuarial information as of June 30, 2002 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2002 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27.

Use of this report for other purposes is inappropriate.

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 NEWPORT BEACH. This valuation is based on the member and financial data as of June 30, 2002 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.

A handwritten signature in black ink, appearing to read "Ron Seeling".

Ron Seeling, Ph.D., F.C.A., A.S.A., M.A.A.A.
Enrolled Actuary
Chief Actuary, CalPERS

A handwritten signature in black ink, appearing to read "Richard L. Santos".

Richard Santos, A.S.A.
Associate Pension Actuary, CalPERS

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EXECUTIVE SUMMARY

Assets and Liabilities	June 30, 2001	June 30, 2002
Retirement Program		
Market Value of Assets for the Retirement Program	\$ 131,634,964	\$ 120,502,009
Present Value of Projected Benefits	143,073,147	156,609,130
Entry Age Normal Accrued Liability	110,251,878	120,029,572
Actuarial Value of Assets	<u>141,132,094</u>	<u>132,552,210</u>
Unfunded Liability	(30,880,216)	(12,522,638)
Funded Status	128.0%	110.4%
Superfunded Status	No	No
1959 Survivor Benefit Program (First or Second Level)		
Market Value for the 1959 Survivor Program ¹	\$ 0	\$ 0
Present Value of Benefits for Current Beneficiaries	0	0
Actuarial Value of Assets	<u>0</u>	<u>0</u>
Unfunded Liability	0	0

Required Contributions	Fiscal Year 2003/2004	Fiscal Year 2004/2005
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	\$ 1,930,957	\$ 2,212,223
Payment on Amortization Bases ²	(1,930,957)	(766,480)
Payment for 1959 Survivor Benefit Program ¹	<u>0</u>	<u>0</u>
Total (not less than zero)	0	1,445,743
Employer Contribution Required (Percentage of Projected Payroll)		
Payment for Normal Cost	6.436%	6.623%
Payment on the Amortization Bases ²	(6.436%)	(2.295%)
Payment for 1959 Survivor Benefit Program ¹	<u>0.000%</u>	<u>0.000%</u>
Total (not less than zero)	0.000%	4.328%

The change in the Unfunded Liability/(Excess Assets) from the prior year and the employer rate for fiscal 2004-2005 reflect changes during the year ending June 30, 2002, including the net actuarial gains and losses since the June 30, 2001 valuation, and any benefit changes through the date this report was produced. This includes recognition of a *portion* of the CalPERS' fiscal 2001-2002 negative investment return on the Market Value of Assets that is first reflected in the plan's Actuarial Value of Assets at June 30, 2002, as shown on page 5 of the report. The balance of the investment loss not reflected in the 2004-2005 rate will have an adverse impact on the employer's rate in subsequent years due to (i) the asset smoothing method used by CalPERS, and (ii) CalPERS' approach to amortizing net unamortized actuarial gains/losses at 10% per year in determining the employer's rate. Refer to Appendix A for additional details.

¹ This is for First and Second Level only. The Third, Fourth and Indexed Levels are independent programs and are therefore billed separately.

² Details regarding this payment can be found on Page 10 for the current valuation.

EXECUTIVE SUMMARY (continued)

Summary of Membership Data	June 30, 2001	June 30, 2002
Members Included in the Valuation ¹		
Active Members	503	550
Transferred Members	168	177
Separated Members	165	164
Members and Beneficiaries Receiving Payments	320	332
Total	1,156	1,223
Annual Covered Payroll	\$ 26,865,334	\$ 29,909,551
Projected Annual Payroll for Contribution Year	30,002,439	33,402,134
Present Value of Future Salaries	255,584,126	282,058,986
Average Annual Covered Pay	\$ 53,410	\$ 54,381
Average Attained Age for Actives	42.80	42.77
Average Entry Age into Rate Plan for Actives	32.83	33.05
Average Attained Age for Transfers	43.07	42.88
Average Attained Age for Separations	40.84	41.17
Average Attained Age for Retirees and Beneficiaries	69.52	69.85
Average Annual Benefit for Retirees and Beneficiaries	\$ 13,140	\$ 13,971

Changes Since Prior Valuation

Actuarial Assumptions – There were no changes in actuarial assumptions since the prior year's actuarial valuation, with the possible exception of changes necessary to reflect a change in benefits.

Methods – There were no changes in methods since the prior year's actuarial valuation. Details on methodology can be found in Appendix A.

Benefits –The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual actuarial valuation following the effective date of those benefit changes. This practice is allowed under Federal rules that apply only to non-public retirement plans and is in common use in the private sector.

Liabilities in this report generally reflect plan changes effective before the performance of this valuation. Please refer to Appendix B for a summary of the plan provisions used in this valuation.

The effects of these changes and any other contract amendments since the prior valuation on the contribution rate are shown on page 8 of this report. However, it should be noted that no change in rate will be shown for any plan changes which were included in the 2001 actuarial valuation. In such case, the changes were already included in the prior year's rate (and would have been shown as a change in the valuation report).

¹ Counts of members included in the valuation are counts of records processed by the valuation. Multiple records may exist for those who have service in more than one coverage group. This does not result in a double counting of liabilities. Counts do not include beneficiaries receiving a 1959 Survivor Benefit.

EXECUTIVE SUMMARY (continued)

Schedule of Funding Progress

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

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
<i>Retirement Program</i>						
6/30/00	\$ 101,385,299	\$ 137,045,473	\$ (35,660,174)	135.2%	\$ 26,052,376	(136.9%)
6/30/01	110,251,878	141,132,094	(30,880,216)	128.0%	26,865,334	(114.9%)
6/30/02	120,029,572	132,552,210	(12,522,638)	110.4%	29,909,551	(41.9%)
<i>1959 Survivor Program</i>						
6/30/00	\$ 0	\$ 0	\$ 0	-	\$ 26,052,376	0.0%
6/30/01	0	0	0	-	26,865,334	0.0%
6/30/02	0	0	0	-	29,909,551	0.0%

SECTION 1 ASSETS

A Reconciliation of the Market Value of Assets over the Prior Fiscal Year

Retirement Program

1.	Beginning Balance 6/30/01	\$	131,634,964
2.	Employer Contributions ¹		0
3.	Employee Contributions ¹		2,072,853
4.	Benefit Payments to Retirees and Beneficiaries		(4,635,730)
5.	Refunds		(188,194)
6.	Lump Sum Payments		(113,016)
7.	Investment Return		(8,324,282)
8.	Transfers In/Out and Miscellaneous Adjustments ²		55,414
9.	Ending Balance 6/30/02		<u>120,502,009</u>
	[(1)+(2)+(3)+(4)+(5)+(6)+(7)+(8)]		

1959 Survivor Benefit Program (First or Second Level)

1.	Beginning Balance 6/30/01	\$	0
2.	Contributions (Employer and Employee) ¹		0
3.	Benefit Payments		0
4.	Transfers to the Third, Fourth or Indexed Level Pool and Miscellaneous Adjustments		0
5.	Investment Return		<u>0</u>
6.	Ending Balance 6/30/02		0
	[(1)+(2)+(3)+(4)+(5)]		

¹ In accordance with Generally Accepted Accounting Principles (GAAP), CalPERS' Fiscal Services Division's accounting records include accounts receivable to recognize income from transactions in the period in which those transactions occurs. When CalPERS receives payroll information, it determines the amount receivable for employer and employee contributions. Thus, contribution amounts may reflect contributions due, even if not paid.

² This includes such things as prepayments to the unfunded liability, receivable payments and transfers between plans.

SECTION 1 ASSETS (continued)

B Development of the Actuarial Value of Assets

Retirement Program

1. Actuarial Value of Assets as of June 30, 2001	\$ 141,132,094
2. Contributions received during fiscal 2001-2002	2,072,853
3. Benefits and Refunds paid during fiscal 2001-2002	(4,936,940)
4. Transfers and Miscellaneous Adjustments paid during fiscal 2001-2002	55,414
5. Expected investment earnings during fiscal 2001-2002 [(1) x .0825 + (1.0825 ^{1/2} - 1) x ((2) + (3) + (4))]	11,529,836
6. Expected Actuarial Value of Assets as of June 30, 2002 [(1) + (2) + (3) + (4) + (5)]	149,853,257
7. Market Value of Assets as of June 30, 2002	120,502,009
8. Actuarial Value of Assets as of June 30, 2002 [(6) + ((7) - (6)) / 3, but not less than 90% or more than 110% of (7)]	132,552,210
9. Assets (Gain) / Loss [(6) - (8)]	17,301,047
10. Actuarial Value as a Percentage of Market Value as of June 30, 2002 [(8) / (7)]	110.0%

1959 Survivor Benefit Program (First or Second Level)

1. Actuarial Value of Assets as of June 30, 2001	\$ 0
2. Contributions received during fiscal 2001-2002	0
3. Benefits paid during fiscal 2001-2002	0
4. Transfers and Miscellaneous Adjustments paid during fiscal 2001-2002	0
5. Expected investment earnings during fiscal 2001-2002 [(1) x .0825 + (1.0825 ^{1/2} - 1) x ((2) + (3) + (4))]	0
6. Expected Actuarial Value of Assets as of June 30, 2002 [(1) + (2) + (3) + (4) + (5)]	0
7. Market Value of Assets as of June 30, 2002	0
8. Actuarial Value of Assets as of June 30, 2002 [(6) + ((7) - (6)) / 3, but not less than 90% or more than 110% of (7)]	0
9. Actuarial Value as a Percentage of Market Value as of June 30, 2002 [(8) / (7)]	0.0%

SECTION 2 LIABILITIES

A Development of Accrued and Unfunded Liabilities for the Retirement Program

1. Present Value of Projected Benefits	
a) Active Members	\$ 97,964,768
b) Transferred Members	5,810,034
c) Separated Members	3,524,796
d) Members and Beneficiaries Receiving Payments	49,309,532
e) Total	<u>156,609,130</u>
2. Present Value of Future Employer Normal Costs	16,835,436
3. Present Value of Future Employee Contributions	19,744,122
4. Entry Age Normal Accrued Liability	
a) Active Members [(1a) - (2) - (3)]	61,385,210
b) Transferred Members	5,810,034
c) Separated Members	3,524,796
d) Members and Beneficiaries Receiving Payments	49,309,532
e) Total	<u>120,029,572</u>
5. Actuarial Value of Assets	132,552,210
6. Unfunded Accrued Liability/(Excess Assets) [(4e) - (5)]	(12,522,638)

SECTION 2 LIABILITIES (continued)

B (Gain)/Loss Analysis 6/30/01 – 6/30/02 for the Retirement Program

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

A. Total (Gain)/Loss for the Year	
1. Unfunded Liability/(Excess Assets) as of 6/30/01	\$ (30,880,216)
2. Expected Payment on the Unfunded Liability (UL) during 2001-2002	(1,793,892)
3. Interest through 6/30/02 $ [.0825 \times (A1) - ((1.0825)^{\frac{1}{2}} - 1) \times (A2) + \text{adj.}^*]$	(2,475,085)
4. Expected UL before all other changes $ [(A1) - (A2) + (A3)]$	(31,561,409)
5. Change in UL due to new plan amendments	0
6. Change in UL due to changes in actuarial methods or assumptions	0
7. Expected UL after all other changes $ [(A4) + (A5) + (A6)]$	(31,561,409)
8. Actual UL as of 6/30/02	(12,522,638)
9. Total (Gain)/Loss for 2001-2002 $ [(A8) - (A7)]$	<u>19,038,771</u>
B. Contribution (Gain)/Loss for the Year	
1. Expected Contribution	\$ 1,951,095
2. Expected Interest on Expected Contributions	78,888
3. Actual Contribution	2,072,853
4. Expected Interest on Actual Contribution	83,811
5. Contribution (Gain)/Loss $ [(B1)+(B2)-(B3)-(B4)]$	<u>(126,681)</u>
C. Asset (Gain)/Loss for the Year	
1. Actuarial Value of Assets as of 6/30/01	\$ 141,132,094
2. Contributions Received during 2001-2002	2,072,853
3. Benefits and Refunds Paid during 2001-2002	(4,936,940)
4. Transfers/Misc. Adjustments paid during fiscal 2001-2002	55,414
5. Expected Int. $ [.0825 \times (C1) + ((1.0825)^{\frac{1}{2}} - 1) \times ((C2) + (C3) + (C4))]$	11,529,836
6. Expected Assets as of 6/30/02 $ [(C1) + (C2) + (C3) + (C4) + (C5)]$	149,853,257
7. Actual Actuarial Value of Assets as of 6/30/02	132,552,210
8. Asset (Gain)/Loss for 2001-2002 $ [(C6)-(C7)]$	<u>17,301,047</u>
D. Liability (Gain)/Loss for the Year	
1. Total (Gain)/Loss (A9)	\$ 19,038,771
2. Contribution (Gain)/Loss (B5)	(126,681)
3. Asset (Gain)/Loss (C8)	17,301,047
4. Liability (Gain)/Loss $ [(D1) - (D2) - (D3)]$	<u>1,864,405</u>

* An adjustment has been made in cases where there was an amendment during the year to reflect the partial year's payment for the amendment.

SECTION 3 REQUIRED CONTRIBUTIONS

A Development of Required Employer Contributions

	Fiscal Year
Employer Contribution Required (in Projected Dollars)	2004/2005
Payment for Normal Cost	\$ 2,212,223
Payment on Amortization Bases ¹	(766,480)
Payment for 1959 Survivor Benefit Program ²	0
Total (not less than zero)	<u>1,445,743</u>

Employer Contribution Required (Percent of Projected Payroll)

Payment for Normal Cost	6.623%
Payment on the Amortization Bases ¹	(2.295%)
Payment for 1959 Survivor Benefit Program ²	0.000%
Total (not less than zero)	<u>4.328%</u>

¹ Details regarding this payment can be found on Page 10 for the current valuation.

² This is for First and Second Level only. The Third, Fourth and Indexed Levels are independent programs and are therefore billed separately.

B Reconciliation of Required Employer Contributions

	Percentage of Projected Payroll	Estimated \$ Based on Projected Payroll
1. Contribution for 7/1/03 - 6/30/04 ¹	0.000%	\$ 0
2. Effect of changes since the prior valuation		
a) Effect of changes in 1959 Survivor Benefit program ²	0.000%	0
b) Effect of unexpected changes in demographics and financial results	4.328%	1,445,743
c) Effect of plan changes	0.000%	0
d) Effect of elimination of amortization base	0.000%	0
e) Effect of change in payroll	N/A	0
f) Effect of changes in actuarial methods or assumptions	0.000%	0
g) Net effect of the changes above [Sum of (a) through (f)]	4.328%	1,445,743
3. Contribution for 7/1/04 - 6/30/05 [(1)+(2g)]	4.328%	1,445,743

¹ The contribution actually paid 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.

² This is for First and Second Level only. The Third, Fourth and Indexed Levels are independent programs and are therefore billed separately. For agencies that changed from First or Second Level to Third, Fourth or Indexed Level, the display above will show a change to a zero rate for the 1959 Survivor Benefit program.

SECTION 3 REQUIRED CONTRIBUTIONS (continued)

C Roll Forward of Unfunded Liabilities for the Retirement Program

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

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

This valuation has a valuation date of June 30, 2002 and determines the employer contribution rate for the 2004-2005 fiscal year. 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 for the fiscal year and therefore it must be rolled forward two years from the valuation date to the first day of the fiscal year. The Unfunded Liability is rolled forward each year by subtracting the expected Payment of 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 fiscal year based on a projection from the payroll used in the current valuation.

Retirement Program

1. Employer Contribution Rate for 2002-2003 from 6/30/2000 Valuation ¹	0.000%
2. Projected Annual Payroll for 2002-2003 from 6/30/2002 Valuation ²	\$ 31,031,159
3. Employer Contribution Rate for 2003-2004 from 6/30/2001 Valuation ¹	0.000%
4. Projected Annual Payroll for 2003-2004 from 6/30/2002 Valuation ²	\$ 32,194,827
5. Projected Annual Payroll for 2004-2005 from 6/30/2002 Valuation ²	\$ 33,402,134
6. Employer Normal Cost Rate from 6/30/2002 Valuation	6.623%
7. 6/30/2002 Unfunded Liability	\$ (12,522,638)
8. Expected Employer Normal Cost for 2002-2003 = (6) x (2)	2,055,194
9. Expected Employer Contribution = (1) x (2)	0
10. Expected Payment on Unfunded Liability = (9) - (8)	(2,055,194)
11. Expected Interest on (7) and (10) at 8.25% assuming mid-year payments of contributions	(950,021)
12. 6/30/2003 Expected Unfunded Liability = (7) - (10) + (11)	(11,417,465)
13. Expected Employer Normal Cost for 2003-2004 = (6) x (4)	\$ 2,132,263
14. Expected Employer Contribution = (3) x (4)	0
15. Expected Payment on Unfunded Liability = (14) - (13)	(2,132,263)
16. Expected Interest on (12) and (15) at 8.25%	(855,728)
17. 6/30/2004 Rolled Forward Unfunded Liability = (12) - (15) + (16)	(10,140,930)

¹ An adjustment has been made in cases where there was an amendment during the year to reflect the partial year's payment for the amendment.

² Annual payroll is assumed to increase by 3.75% each year.

SECTION 3 REQUIRED CONTRIBUTIONS (continued)

D Schedule of Amortization Bases for the Retirement Program

The schedule below shows the development of the payment on the Amortization Bases shown on page 8. This payment represents the employer contribution toward the Unfunded Liability. Each row of the schedule gives a brief description of a base (or portion of the Unfunded Liability), the date the base was established, the original amount, and the number of years from June 30, 2004 to the final payment (Amortization Period). The balance of the base is then shown for the year immediately following the valuation date and the expected payment and projected base are shown for the next two fiscal years. The last year shown is the one for which rates are established in this report. The total expected payments for the fiscal years 2002-2003 and 2003-2004 are the fiscal year's expected payroll multiplied by the difference between the fiscal year's total employer rate percentage and the June 30, 2002 employer normal cost percentage. The total payroll is expected to grow by 3.75% annually. Please see Appendix A for more detail, particularly for an explanation of how amortization periods are determined.

Reason for Base	Date Estab-lished	Initial Amount	Amorti-zation Period	Balance 6/30/02	Expected Payment 2002-2003*	Balance 6/30/03	Expected Payment 2003-2004*	Balance Beginning of Fiscal Year	Amounts for Fiscal 2004-2005	
									Scheduled Payment for the Fiscal Year	Payment as Percentage of Payroll
FRESH START	06/30/02	\$(12,522,638)	20	\$(12,522,638)	\$(2,055,194)	\$(11,417,465)	\$(2,132,263)	\$(10,140,930)	\$(766,480)	(2.295%)
TOTAL				\$(12,522,638)	\$(2,055,194)	\$(11,417,465)	\$(2,132,263)	\$(10,140,930)	\$(766,480)	(2.295%)

* Note that each expected balance after 6/30/02 assumes cash receipt of the required employee contributions. If the plan is superfunded and the employee contributions were transferred out of employer assets, the balances after 6/30/02 will be different than shown above.

SECTION 3 REQUIRED CONTRIBUTIONS (continued)

E 1959 Survivor Benefit Program

Shown below is the information regarding your First or Second Level 1959 Survivor Benefit program.

Funded Status of 1959 Survivor Program as of June 30, 2002

1. Accrued Liability	\$	0
2. Assets at Actuarial Value		0
3. Unfunded Liability/(Excess Assets) [(1) - (2)]		0

Required Contribution for Fiscal 2004-2005

1. Total Premium Required	\$	0
2. Amortization of the Unfunded Liability		0
3. Total Required Contributions [(1) + (2)]		0
4. Expected Employee Premiums		0
5. Total Required Employer Premium [(3) - (4), but not less than 0]		0
6. Expected Payroll for the Rate Payment Year		0
7. Contribution Rate for 1959 Survivor Benefit [(5) / (6)]		0

SECTION 4 DETAILED MEMBERSHIP DATA

A Counts and Average Annual Benefits For Retirees and Beneficiaries By Years Retired and Retirement Type

Type of Retirement Benefit

Years Retired	Service Retiree		Disability Retiree		Death In Service		Death After Retirement	All Benefits	Total Benefits
	Non-industrial	Industrial	Non-industrial	Industrial	Non-industrial	Industrial			
Under 5 Yrs	58	4	\$10,059	\$129	0	0	\$0	63	\$1,228,986
5-9	79	15	\$9,650	\$99	0	1	\$8,472	102	\$1,584,733
10-14	44	3	\$14,520	\$307	0	0	\$20,800	54	\$948,238
15-19	31	6	\$10,435	\$0	0	0	\$14,996	49	\$522,240
20-24	28	2	\$3,322	\$0	0	0	\$6,291	36	\$250,337
25-29	9	1	\$2,106	\$0	0	0	\$2,590	17	\$63,695
30 and Over	9	0	\$0	\$0	0	0	\$5,946	11	\$40,094
Total	258	31	\$9,674	\$158	\$0	\$85	\$10,918	\$13,971	\$4,638,323
Average	\$15,205	\$9,674	\$158	\$158	\$0	\$85	\$10,918	\$13,971	\$4,638,323

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 2 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.

SECTION 4 DETAILED MEMBERSHIP DATA (continued)

B Counts and Average Annual Benefits For Retirees and Beneficiaries By Age and Retirement Type

Attained Age	Service Retiree		Type of Retirement Benefit				Death After Retirement	All Benefits	Total Benefits
	Disability Retiree		Death In Service		Industrial	All Benefits			
	Non-industrial	Industrial	Non-industrial	Industrial					
Under 30	0	0	0	0	0	0	1	\$3,147	
30-34	\$0	\$0	\$0	\$0	\$0	\$0	\$3,147	\$3,147	
35-39	0	0	0	0	0	0	0	\$0	
40-44	\$0	\$0	\$181	\$0	\$85	\$0	\$0	\$157	
45-49	0	0	0	0	0	0	0	\$628	
50-54	\$8,639	\$10,139	\$0	\$0	\$0	\$0	\$4,778	\$9,035	
55-59	\$12,874	\$13,495	\$0	\$0	\$0	\$0	\$6,885	\$12,423	
60-64	\$18,952	\$8,994	\$0	\$0	\$0	\$0	\$0	\$18,004	
65-69	\$16,564	\$7,737	\$0	\$0	\$0	\$0	\$13,915	\$15,805	
70-74	\$18,462	\$1,371	\$0	\$0	\$0	\$0	\$11,251	\$16,973	
75-79	\$18,270	\$12,635	\$0	\$0	\$0	\$0	\$16,853	\$17,768	
80-84	\$10,480	\$0	\$0	\$0	\$0	\$0	\$7,762	\$9,962	
85 and Over	\$7,411	\$0	\$0	\$0	\$0	\$0	\$10,016	\$8,024	
All Ages	258	31	4	0	1	0	38	\$4,638,323	
Average	\$15,205	\$9,674	\$158	\$0	\$85	\$0	\$10,918	\$13,971	

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 2 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.

SECTION 4 DETAILED MEMBERSHIP DATA (continued)

C Counts and Average Annual Payroll for Active Members By Attained Age & Years of Service

Attained Age	Years of Service at Valuation Date						All Years	Valuation Payroll
	0-4	5-9	10-14	15-19	20-29	30+		
15-24	23	0	0	0	0	0	23	\$573,630
	\$24,940	\$0	\$0	\$0	\$0	\$0	\$24,940	
25-29	43	7	0	0	0	0	50	\$1,929,683
	\$36,818	\$49,501	\$0	\$0	\$0	\$0	\$38,594	
30-34	39	14	3	0	0	0	56	\$2,654,879
	\$45,213	\$49,534	\$66,035	\$0	\$0	\$0	\$47,409	
35-39	37	14	37	4	0	0	92	\$4,733,729
	\$45,508	\$59,998	\$54,562	\$47,796	\$0	\$0	\$51,454	
40-44	21	10	31	12	9	0	83	\$4,540,806
	\$46,059	\$54,809	\$59,009	\$59,148	\$54,046	\$0	\$54,709	
45-49	21	17	18	6	23	1	86	\$5,221,665
	\$51,753	\$72,216	\$60,226	\$62,772	\$59,898	\$68,826	\$60,717	
50-54	17	12	14	8	18	6	75	\$4,741,498
	\$53,020	\$68,447	\$58,031	\$71,901	\$66,054	\$73,694	\$63,220	
55-59	14	7	10	6	11	3	51	\$3,576,636
	\$72,916	\$74,200	\$63,568	\$63,724	\$74,207	\$67,367	\$70,130	
60-64	3	3	6	5	5	1	23	\$1,410,341
	\$41,854	\$35,004	\$62,141	\$74,784	\$71,537	\$75,317	\$61,319	
65+	3	2	2	1	2	1	11	\$526,684
	\$23,048	\$40,718	\$40,279	\$131,248	\$52,644	\$59,012	\$47,880	
All Ages	221	86	121	42	68	12	550	\$29,909,551
Average	\$44,230	\$60,267	\$58,114	\$65,245	\$63,710	\$70,618	\$54,381	

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

Appendix A

STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS

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 contain information about reciprocal systems. Therefore, salary information in these cases may not be accurate. This situation is relatively infrequent, however, and when it does occur, generally does not have a material impact on the employer contribution rates.

ACTUARIAL METHODS

Funding Method

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

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

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and 10% of the net unamortized gain or loss will be amortized each year. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. As mentioned above, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. 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 the fresh start is being used 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 period of the fresh start is chosen by the actuary according to his or her best judgement, and will not be less than five years nor greater than 30 years.

The actuarial funding method for the 1st and 2nd Level 1959 Survivor Benefit is the modified Term Insurance Method. There is no actuarial accrued liability for active members; all liability is due to survivors of former active members. The normal cost is calculated as the amount needed to provide benefits to survivors of deaths expected in the next one-year period.

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-third 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 90% or greater than 110% of the actual Market Value of Assets.

MISCELLANEOUS

Superfunded Status

If the 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.

Internal Revenue Code Section 415

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

ACTUARIAL ASSUMPTIONS

Economic Assumptions

Investment Return

8.25% compounded annually (net of expenses). This assumption is used for all plans.

Salary Growth

Annual increases that vary by category and duration of service. For Safety members, annual increases are also dependent on entry age. The assumed increases are shown below.

Duration of Service	Annual Percent Increase		
	Public Agency Miscellaneous	Public Agency Safety	
		Entry under Age 40	Entry 40 & Over
0 through 2	14.200%	11.587%	4.272%
3 through 6	6.363	7.408	4.272
7	6.363	5.161	4.272
8 through 29	4.795	5.161	4.272
30 +	3.750	5.161	4.272

Overall Payroll Growth

3.75% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans.

Inflation

3.50% compounded annually. This assumption is used for all plans.

Miscellaneous Loading Factors

Credit for Unused Sick Leave

Final Average Salary is increased by 1% for those agencies that have accepted 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 agencies that have contracted for 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" for these employees 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

Post-Retirement Mortality

Rates vary by age and sex for healthy benefit recipients and for non-industrially disabled (disability not job-related) retirees. Rates vary by age for retirees who are industrially disabled (disability is job-related). See sample rates in table below. These rates are used for all plans.

<u>Age</u>	<u>Healthy Recipients</u>		<u>Non-Industrially Disabled (Not Job-Related)</u>		<u>Industrially Disabled (Job-Related)</u>
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male & Female</u>
50	0.0052	0.0021	0.0301	0.0177	0.0054
55	0.0073	0.0034	0.0327	0.0189	0.0089
60	0.0102	0.0055	0.0355	0.0203	0.0145
65	0.0146	0.0086	0.0396	0.0239	0.0240
70	0.0248	0.0136	0.0497	0.0297	0.0361
75	0.0419	0.0228	0.0706	0.0402	0.0531
80	0.0685	0.0390	0.1085	0.0614	0.0809
85	0.1064	0.0701	0.1600	0.1074	0.1107
90	0.1651	0.1259	0.2276	0.1944	0.1600
95	0.2303	0.1842	0.3220	0.3134	0.2515
100	0.3212	0.2930	0.4659	0.4575	0.3950

Marital Status

For active members, a percentage married upon retirement is assumed according to the following table.

<u>Member Category</u>	<u>Percent Married</u>
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.

Separated Members

It is assumed that members refund immediately if non-vested, retire immediately if eligible, or retire at the earliest retirement age if not eligible.

Public Agency Miscellaneous 2% @ 60

Service Retirement

Rates vary by age and sex. See table below.

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
50	0.02654	0.03684	61	0.12426	0.08696
51	0.01228	0.02559	62	0.23818	0.18980
52	0.01834	0.02773	63	0.21037	0.17706
53	0.01619	0.03078	64	0.14311	0.12882
54	0.02251	0.03071	65	0.24399	0.23837
55	0.04813	0.05390	66	0.13820	0.14190
56	0.03957	0.04576	67	0.11208	0.14001
57	0.04788	0.04213	68	0.11736	0.10330
58	0.05500	0.06735	69	0.09036	0.12344
59	0.06811	0.06523	70	1.00000	1.00000
60	0.12807	0.09825			

Termination with Refund

Rates vary by entry age, sex and service. See sample rates in tables below.

Termination with Refund (Male)

<u>Entry Age</u>	<u>Years of Service</u>					
	<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5 or more</u>
20	0.07141	0.15327	0.10537	0.09504	0.07720	0.06393
25	0.07018	0.14350	0.09987	0.08769	0.07244	0.04386
30	0.06896	0.13435	0.09465	0.08090	0.06797	0.03009
35	0.06777	0.12578	0.08971	0.07464	0.06377	0.02064
40	0.06660	0.11776	0.08502	0.06886	0.05984	0.01416
45	0.06544	0.11025	0.08058	0.06353	0.05615	0.00971
50	0.06431	0.10322	0.07637	0.05862	0.05268	0.00666
55	0.06320	0.09664	0.07238	0.05408	0.04943	0.00457
60	0.06211	0.09048	0.06860	0.04990	0.04638	0.00314

Termination with Refund (Female)

<u>Entry Age</u>	<u>Years of Service</u>					
	<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5 or more</u>
20	0.08630	0.18606	0.15121	0.12665	0.11838	0.07966
25	0.08532	0.17473	0.13666	0.11372	0.09983	0.05601
30	0.08435	0.16410	0.12350	0.10211	0.08419	0.03939
35	0.08339	0.15411	0.11162	0.09169	0.07099	0.02770
40	0.08245	0.14473	0.10087	0.08233	0.05987	0.01948
45	0.08151	0.13592	0.09116	0.07392	0.05049	0.01370
50	0.08059	0.12765	0.08239	0.06638	0.04257	0.00963
55	0.07967	0.11988	0.07446	0.05960	0.03590	0.00677
60	0.07877	0.11258	0.06729	0.05352	0.03028	0.00476

Public Agency Miscellaneous 2% @ 60 (continued)

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age and sex. See sample rates in table below.

Attained Age	Male			Female		
	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Termination with Vested Deferred Benefits	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Termination with Vested Deferred Benefits
20	0.00027	0.00048	0.02023	0.00007	0.00032	0.03299
25	0.00039	0.00070	0.01818	0.00012	0.00047	0.02910
30	0.00055	0.00102	0.01633	0.00018	0.00069	0.02567
35	0.00078	0.00148	0.01467	0.00028	0.00102	0.02264
40	0.00110	0.00215	0.01318	0.00044	0.00150	0.01997
45	0.00155	0.00313	0.01184	0.00069	0.00220	0.01762
50	0.00219	0.00456	0.01064	0.00108	0.00322	0.01554
55	0.00310	0.00663	0.00956	0.00169	0.00473	0.01371
60	0.00438	0.00000	0.00859	0.00264	0.00000	0.01209

Industrial (Job-Related) Disability

Rates vary by age and sex. Rates are zero unless the agency has specifically contracted for Industrial Disability benefits. If so, each Non-Industrial Disability rate shown above will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Industrial (Job-Related) Death

Rates vary by age and sex. Rates are 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.

Public Agency Miscellaneous 2% @ 55, 2.5% @ 55, 2.7% @ 55, 3% @ 60

Service Retirement

Rates vary by age and sex. See table below.

Male Retirement Rates

<u>Age</u>	<u>2% @ 55</u>	<u>2.5% @ 55</u>	<u>2.7% @ 55</u>	<u>3% @ 60</u>
50	0.03466	0.05000	0.05000	0.05000
51	0.01617	0.02000	0.02000	0.02000
52	0.02439	0.03000	0.03000	0.03000
53	0.02177	0.03000	0.03000	0.03000
54	0.03053	0.04000	0.04000	0.04000
55	0.06593	0.08000	0.09000	0.08000
56	0.05232	0.06000	0.07000	0.07000
57	0.06106	0.07000	0.08000	0.08000
58	0.06745	0.08000	0.08000	0.09000
59	0.08032	0.09000	0.10000	0.11000
60	0.14485	0.16000	0.17000	0.19000
61	0.13474	0.15000	0.16000	0.17000
62	0.24803	0.26000	0.28000	0.31000
63	0.21037	0.22000	0.23000	0.26000
64	0.14311	0.15000	0.16000	0.18000
65	0.24399	0.25000	0.27000	0.30000
66	0.13820	0.14000	0.15000	0.17000
67	0.11208	0.12000	0.13000	0.14000
68	0.11736	0.12000	0.13000	0.15000
69	0.09036	0.09000	0.10000	0.11000
70	1.00000	1.00000	1.00000	1.00000

Female Retirement Rates

<u>Age</u>	<u>2% @ 55</u>	<u>2.5% @ 55</u>	<u>2.7% @ 55</u>	<u>3% @ 60</u>
50	0.04811	0.07000	0.07000	0.07000
51	0.03369	0.05000	0.05000	0.05000
52	0.03688	0.05000	0.05000	0.05000
53	0.04137	0.05000	0.06000	0.05000
54	0.04165	0.05000	0.06000	0.05000
55	0.07384	0.09000	0.10000	0.09000
56	0.06050	0.07000	0.08000	0.08000
57	0.05372	0.06000	0.07000	0.07000
58	0.08260	0.10000	0.10000	0.11000
59	0.07693	0.09000	0.09000	0.10000
60	0.11112	0.12000	0.13000	0.15000
61	0.09430	0.10000	0.11000	0.12000
62	0.19765	0.21000	0.23000	0.25000
63	0.17706	0.18000	0.20000	0.22000
64	0.12882	0.13000	0.14000	0.16000
65	0.23837	0.25000	0.27000	0.30000
66	0.14190	0.15000	0.16000	0.18000
67	0.14001	0.14000	0.16000	0.17000
68	0.10330	0.11000	0.12000	0.13000
69	0.12344	0.13000	0.14000	0.15000
70	1.00000	1.00000	1.00000	1.00000

Public Agency Miscellaneous 2% @ 55, 2.5% @ 55, 2.7% @ 55, 3% @ 60 (continued)

Termination with Refund

Rates vary by entry age, sex, and service. See sample rates in tables below.

Entry Age	Termination with Refund (Male)					
	Years of Service					
	0-1	1-2	2-3	3-4	4-5	5 or more
20	0.07039	0.14989	0.10218	0.09133	0.07347	0.06020
25	0.06817	0.13716	0.09381	0.08084	0.06543	0.03874
30	0.06601	0.12546	0.08605	0.07142	0.05810	0.02482
35	0.06390	0.11468	0.07883	0.06298	0.05143	0.01582
40	0.06184	0.10477	0.07214	0.05541	0.04536	0.01003
45	0.05983	0.09566	0.06593	0.04864	0.03985	0.00631
50	0.05788	0.08774	0.06110	0.04396	0.03688	0.00433
55	0.05688	0.08215	0.05791	0.04056	0.03460	0.00297
60	0.05589	0.07691	0.05488	0.03742	0.03247	0.00204

Entry Age	Termination with Refund (Female)					
	Years of Service					
	0-1	1-2	2-3	3-4	4-5	5 or more
20	0.08507	0.18195	0.14663	0.12170	0.11265	0.07501
25	0.08288	0.16702	0.12837	0.10484	0.09017	0.04948
30	0.08074	0.15324	0.11228	0.09015	0.07197	0.03250
35	0.07863	0.14051	0.09809	0.07736	0.05725	0.02124
40	0.07656	0.12877	0.08559	0.06625	0.04538	0.01380
45	0.07453	0.11793	0.07459	0.05660	0.03583	0.00890
50	0.07253	0.10850	0.06591	0.04978	0.02980	0.00626
55	0.07170	0.10189	0.05957	0.04470	0.02513	0.00440
60	0.07089	0.09569	0.05383	0.04014	0.02119	0.00310

Public Agency Miscellaneous 2% @ 55, 2.5% @ 55, 2.7% @ 55, 3% @ 60 (continued)

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age and sex. See sample rates in table below.

Attained Age	Male			Female		
	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Termination with Vested Deferred Benefits	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Termination with Vested Deferred Benefits
20	0.00027	0.00048	0.02023	0.00007	0.00032	0.03299
25	0.00039	0.00070	0.01818	0.00012	0.00047	0.02910
30	0.00055	0.00102	0.01633	0.00018	0.00069	0.02567
35	0.00078	0.00148	0.01467	0.00028	0.00102	0.02264
40	0.00110	0.00215	0.01318	0.00044	0.00150	0.01997
45	0.00155	0.00313	0.01184	0.00069	0.00220	0.01762
50	0.00219	0.00456	0.01064	0.00108	0.00322	0.01554
55	0.00310	0.00663	0.00956	0.00169	0.00473	0.01371
60	0.00438	0.00000	0.00859	0.00264	0.00000	0.01209

Industrial (Job-Related) Disability

Rates vary by age and sex. Rates are zero unless the agency has specifically contracted for Industrial Disability benefits. If so, each Non-Industrial Disability rate shown above will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Industrial (Job-Related) Death

Rates vary by age and sex. Rates are 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.

Public Agency Fire 2% @ 50, 2.5% @ 55, 3% @ 55 and 3% @ 50

Service Retirement

Rates vary by age and benefit formula. See table below.

Attained Age	2% @ 50 and 2.5% @ 55	3% @ 55	3% @ 50
50	0.03673	0.06000	0.15000
51	0.03475	0.10000	0.18000
52	0.06045	0.13000	0.20000
53	0.11071	0.18000	0.22000
54	0.15878	0.22000	0.22000
55	0.22109	0.11000	0.11000
56	0.11305	0.09000	0.09000
57	0.09843	0.11000	0.11000
58	0.11843	0.10000	0.10000
59	0.10456	1.00000	1.00000
60	1.00000	1.00000	1.00000

The rate is set to 100% for any year in which the combination of age and service results in a benefit that would be limited to 90% of final compensation.

Termination with Refund

Rates vary by entry age and service. See sample rates in table below.

Entry Age	Termination with Refund					
	Years of Service					
	0-1	1-2	2-3	3-4	4-5	5 or more
20	0.03915	0.03743	0.03579	0.03423	0.03273	0.01109
25	0.03129	0.02992	0.02861	0.02736	0.02616	0.00663
30	0.02501	0.02392	0.02287	0.02187	0.02091	0.00397
35	0.02000	0.01912	0.01828	0.01748	0.01672	0.00238
40	0.01598	0.01528	0.01461	0.01397	0.01336	0.00142
45	0.01278	0.01222	0.01168	0.01117	0.01068	0.00085
50	0.01021	0.00977	0.00934	0.00893	0.00854	0.00051
55	0.00816	0.00781	0.00746	0.00714	0.00683	0.00030

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Industrial (Job-Related) Death, Industrial (Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age. See sample rates in table below.

Attained Age	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Industrial (Job-Related) Death	Industrial (Job-Related) Disability	Termination with Vested Deferred Benefits
20	0.00017	0.00009	0.00011	0.00040	0.00669
25	0.00020	0.00015	0.00014	0.00073	0.00590
30	0.00023	0.00024	0.00018	0.00133	0.00521
35	0.00028	0.00039	0.00023	0.00242	0.00460
40	0.00033	0.00062	0.00029	0.00441	0.00406
45	0.00039	0.00099	0.00038	0.00802	0.00358
50	0.00046	0.00158	0.00048	0.01460	0.00316
55	0.00054	0.00000	0.00062	0.02658	0.00279

Public Agency Fire ½ @ 55 and 2% @ 55

Service Retirement

Rates vary by age. See table below.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
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		

The rate is set to 100% for any year in which the combination of age and service results in a benefit that would be limited to 90% of final compensation.

Termination with Refund

Rates vary by entry age and service. See sample rates in table below.

<u>Entry Age</u>	<u>Termination with Refund</u>					
	<u>Years of Service</u>					
	0-1	1-2	2-3	3-4	4-5	5 or more
20	0.04837	0.04717	0.04600	0.04486	0.04374	0.01190
25	0.04266	0.04160	0.04057	0.03956	0.03858	0.01029
30	0.03762	0.03688	0.03577	0.03488	0.03402	0.00891
35	0.03317	0.03235	0.03155	0.03076	0.03000	0.00771
40	0.02925	0.02853	0.02782	0.02713	0.02645	0.00667
45	0.02580	0.02516	0.02453	0.02392	0.02333	0.00577
50	0.02275	0.02218	0.02163	0.02110	0.02057	0.00500
55	0.02006	0.01956	0.01908	0.01860	0.01814	0.00432

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Industrial (Job-Related) Death, Industrial (Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age. See sample rates in table below.

<u>Attained Age</u>	<u>Non-Industrial (Not Job-Related) Death</u>	<u>Non-Industrial (Not Job-Related) Disability</u>	<u>Industrial (Job-Related) Death</u>	<u>Industrial (Job-Related) Disability</u>	<u>Termination with Vested Deferred Benefits</u>
20	0.00017	0.00009	0.00011	0.00013	0.01076
25	0.00020	0.00015	0.00014	0.00027	0.01000
30	0.00023	0.00024	0.00018	0.00057	0.00930
35	0.00028	0.00039	0.00023	0.00120	0.00864
40	0.00033	0.00062	0.00029	0.00251	0.00803
45	0.00039	0.00099	0.00038	0.00527	0.00746
50	0.00046	0.00158	0.00048	0.01105	0.00694
55	0.00054	0.00000	0.00062	0.02315	0.00645

Public Agency Police 2% @ 50, 2.5% @ 55, 3% @ 55 and 3% @ 50*

Service Retirement

Rates vary by age and benefit formula. See table below.

Attained Age	2% @ 50 and 2.5% @ 55	3% @ 55	3% @ 50
50	0.05857	0.10000	0.17000
51	0.04340	0.11000	0.17000
52	0.04165	0.16000	0.18000
53	0.15350	0.17000	0.18000
54	0.17021	0.18000	0.18000
55	0.18571	0.11000	0.11000
56	0.11855	0.07000	0.07000
57	0.07146	0.08000	0.08000
58	0.08968	0.08000	0.08000
59	0.08743	1.00000	1.00000
60	1.00000	1.00000	1.00000

The rate is set to 100% for any year in which the combination of age and service results in a benefit that would be limited to 90% of final compensation.

Termination with Refund

Rates vary by entry age and service. See sample rates in table below.

Entry Age	Termination with Refund					
	Years of Service					
	0-1	1-2	2-3	3-4	4-5	5 or more
20	0.04373	0.08438	0.04756	0.04644	0.04650	0.03226
25	0.04758	0.08654	0.04711	0.04415	0.04182	0.01934
30	0.05177	0.08876	0.04666	0.04197	0.03761	0.01159
35	0.05633	0.09103	0.04622	0.03990	0.03382	0.00695
40	0.06128	0.09337	0.04579	0.03794	0.03041	0.00417
45	0.06668	0.09576	0.04535	0.03607	0.02735	0.00250
50	0.07255	0.09821	0.04492	0.03429	0.02459	0.00150
55	0.07893	0.10072	0.04450	0.03260	0.02211	0.00090

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Industrial (Job-Related) Death, Industrial (Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age. See sample rates in table below.

Attained Age	Non-Industrial (Not Job- Related) Death	Non-Industrial (Not Job- Related) Disability	Industrial (Job-Related) Death	Industrial (Job-Related) Disability	Termination with Vested Deferred Benefits
20	0.00017	0.00018	0.00011	0.00250	0.01309
25	0.00020	0.00024	0.00014	0.00347	0.01155
30	0.00023	0.00033	0.00018	0.00482	0.01018
35	0.00028	0.00044	0.00023	0.00669	0.00898
40	0.00033	0.00060	0.00029	0.00928	0.00792
45	0.00039	0.00082	0.00038	0.01289	0.00699
50	0.00046	0.00112	0.00048	0.01789	0.00616
55	0.00054	0.00000	0.00062	0.02484	0.00544

* These rates also apply to School Police. The only differences are the Industrial Disability and Industrial Death rates. The School Police use 50% of the rates displayed above.

Public Agency Police ½ @ 55 and 2% @ 55*

Service Retirement

Rates vary by age. See table below.

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		

The rate is set to 100% for any year in which the combination of age and service results in a benefit that would be limited to 90% of final compensation.

Termination with Refund

Rates vary by entry age and service. See sample rates in table below.

Entry Age	Termination with Refund					
	Years of Service					
	0-1	1-2	2-3	3-4	4-5	5 or more
20	0.05709	0.05768	0.05828	0.05888	0.05949	0.03497
25	0.06011	0.06073	0.06135	0.06199	0.06263	0.02683
30	0.06328	0.06393	0.06459	0.06526	0.06593	0.02058
35	0.06662	0.06730	0.06800	0.06870	0.06941	0.01578
40	0.07013	0.07085	0.07159	0.07233	0.07307	0.01211
45	0.07383	0.07459	0.07536	0.07614	0.07693	0.00929
50	0.07772	0.07853	0.07934	0.08016	0.08099	0.00712
55	0.08183	0.08267	0.08353	0.08439	0.08526	0.00546

Non-Industrial (Not Job-Related) Death, Non-Industrial (Not Job-Related) Disability, Industrial (Job-Related) Death, Industrial (Job-Related) Disability, Termination with Vested Deferred Benefits

Rates vary by age. See sample rates in table below.

Attained Age	Non-Industrial (Not Job-Related) Death	Non-Industrial (Not Job-Related) Disability	Industrial (Job-Related) Death	Industrial (Job-Related) Disability	Termination with Vested Deferred Benefits
20	0.00017	0.00069	0.00011	0.00260	0.01516
25	0.00020	0.00118	0.00014	0.00355	0.01424
30	0.00023	0.00167	0.00018	0.00483	0.01338
35	0.00028	0.00216	0.00023	0.00658	0.01257
40	0.00033	0.00265	0.00029	0.00896	0.01180
45	0.00039	0.00313	0.00038	0.01221	0.01109
50	0.00046	0.00362	0.00048	0.01663	0.01042
55	0.00054	0.00000	0.00062	0.02266	0.00978

* These rates also apply to School Police. The only differences are the Industrial Disability and Industrial Death rates. The School Police use 25% of the rate displayed above.

Appendix B

SUMMARY OF PRINCIPAL PLAN PROVISIONS

SUMMARY OF BENEFITS: COVERAGE GROUP 70001

The following is a summary of the major plan provisions used in calculating the liabilities of the plan. 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.

RETIREMENT PROGRAM

Service Retirement

Eligibility

A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements)

Benefit

The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*, where

- The *benefit factor* for this group of employees comes from the **2% at 55 Miscellaneous** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

<u>Retirement Age</u>	<u>2% at 55 Miscellaneous Factor</u>
50	1.426%
51	1.522%
52	1.628%
53	1.742%
54	1.866%
55	2.000%
56	2.052%
57	2.104%
58	2.156%
59	2.210%
60	2.262%
61	2.314%
62	2.366%
63 & Up	2.418%

- 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. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the 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 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this

compensation). The employees in this group are not covered by Social Security. The final compensation is not offset by a dollar amount.

- The Service Retirement benefit is not capped.

Vested Deferred Retirement

Eligibility for Deferred Status

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

Eligibility to Start Receiving Benefits

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

Benefit

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

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility

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

Benefit

The 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.

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.

Post-Retirement Death Benefit

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.

Form of Payment for Retirement Allowance

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. The larger the amount to be provided to the beneficiary is, and the younger the beneficiary is, the greater the reduction to the retiree's allowance.

Pre-Retirement Death Benefits

Basic Death 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 described below 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 8.25% 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

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 may choose this benefit in lieu of the Basic Death benefit or the Special Death 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. There is a guarantee that the total amount paid will at least equal the Basic Death benefit.

Cost-of-Living Adjustments

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% 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 following schedule. The employer may choose to "pick-up" these contributions for the employees.

The percent contributed below the monthly compensation breakpoint is 0%.

The monthly compensation breakpoint is \$0.

The percent contributed above the monthly compensation breakpoint is 7%.

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 Fourth Level

This benefit is not included in the results presented earlier in this valuation. Please see Appendix D for more information.

Appendix C

GASB STATEMENT NO. 27

**MISCELLANEOUS PLAN of the CITY OF NEWPORT BEACH
 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, 2004 to June 30, 2005 has been determined by an actuarial valuation of the plan as of June 30, 2002. The contribution rate for the indicated period is 4.328% of payroll for the Retirement Program. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2005, 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, 2004 to June 30, 2005. The employer and the employer's auditor are responsible for determining the NPO and the APC.

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

	<u>Retirement Program</u>	<u>1959 Survivor Program</u>
Valuation Date	June 30, 2002	N/A
Actuarial Cost Method	Entry Age Actuarial Cost Method	N/A
Amortization Method	Level Percent of Payroll	N/A
Average Remaining Period	22 Years as of the Valuation Date	N/A
Asset Valuation Method	3 Year Smoothed Market	N/A
Actuarial Assumptions		
Investment Rate of Return	8.25% (net of administrative expenses)	N/A
Projected Salary Increases	3.75% to 14.20% depending on Age, Service, and type of employment	N/A
Inflation	3.50%	N/A
Payroll Growth	3.75%	N/A
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.50% and an annual production growth of 0.25%.	N/A

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 rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. More complete information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

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

Retirement Program

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
6/30/00	\$ 101,385,299	\$ 137,045,473	\$ (35,660,174)	135.2%	\$ 26,052,376	(136.9%)
6/30/01	\$ 110,251,878	\$ 141,132,094	\$ (30,880,216)	128.0%	\$ 26,865,334	(114.9%)
6/30/02	\$ 120,029,572	\$ 132,552,210	\$ (12,522,638)	110.4%	\$ 29,909,551	(41.9%)

1959 Survivor Program

6/30/00	\$ 0	\$ 0	\$ 0	-	\$ 26,052,376	0.0%
6/30/01	\$ 0	\$ 0	\$ 0	-	\$ 26,865,334	0.0%
6/30/02	\$ 0	\$ 0	\$ 0	-	\$ 29,909,551	0.0%

Appendix D

1959 SURVIVOR BENEFIT PROGRAMS

SUPPLEMENTAL INFORMATION

(THIRD, FOURTH, AND INDEXED LEVELS)

Shown below is a summary of the funded status of the 1959 Survivor Benefit Programs (Third, Fourth and Indexed Levels). The figures were extracted from the June 30, 2002 1959 Survivor Benefit Actuarial Valuation Report to the CalPERS Board.

1959 Survivor Benefit Program (Third Level Pool)

1. Actuarial Accrued Liability as of June 30, 2002	\$	26,398,267
2. Actuarial Value of Assets as at June 30, 2002		<u>85,641,241</u>
3. Unfunded Liability / (Excess Assets) as of June 30, 2002 [(1) - (2)]	\$	(59,242,974)
4. Funded Status		324.4%
5. Employer Normal Cost Per member per month, fiscal year 2003 - 2004	\$	0.60
6. Total Employer Cost per member per month, fiscal year 2003 - 2004*	\$	0.00

1959 Survivor Benefit Program (Fourth Level Pool)

1. Actuarial Accrued Liability as of June 30, 2002	\$	55,842,072
2. Actuarial Value of Assets as at June 30, 2002		<u>95,434,068</u>
3. Unfunded Liability / (Excess Assets) as of June 30, 2002 [(1) - (2)]	\$	(39,591,996)
4. Funded Status		170.9%
5. Employer Normal Cost Per member per month, fiscal year 2003 - 2004	\$	4.90
6. Total Employer Cost per member per month, fiscal year 2003 - 2004*	\$	0.00

1959 Survivor Benefit Program (Indexed Level Pool)

1. Actuarial Accrued Liability as of June 30, 2002	\$	4,470,772
2. Actuarial Value of Assets as at June 30, 2002		9,560,932
3. Unfunded Liability / (Excess Assets) as of June 30, 2002 [(1) - (2)]	\$	(5,090,160)
4. Funded Status		213.9%
5. Employer Normal Cost Per member per month, fiscal year 2003 - 2004	\$	3.90
6. Total Employer Cost per member per month, fiscal year 2003 - 2004*	\$	0.00

* Plans that join the pool within the past five years may have some additional cost

The following is a summary of the plan provisions used in calculating the liabilities. This summary is general in nature, and is intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The Law itself governs in all situations.

THIRD LEVEL 1959 SURVIVOR BENEFITS PROGRAM

Eligibility

An employee's *eligible survivor(s)* may receive the 1959 Survivor benefit if the member dies while actively employed and the member had elected to pay for coverage under this benefit program. 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 and who is either caring for unmarried children under age 22 or is at least 62* years old; or, if there is no eligible spouse, the member's unmarried children under age 22. A member's survivor who is eligible for any other pre-retirement death benefit described in the **Retirement Program** section above will receive the 1959 Survivor benefit in addition to that death benefit, except as described in the paragraphs below.

Benefit

The benefit, for members who elected this coverage or for whom this coverage was mandatory, is a monthly allowance equal to one of the following, depending upon the set of eligible survivors:

\$840 to an eligible spouse with two or more eligible children; or three or more eligible children.

\$700 to an eligible spouse with one eligible child; or two eligible children only.

\$350 to one eligible child only; or spouse age 62* or older; or dependent parents.

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, marriage or attainment of age 22.

If a member's survivor is receiving the Special Death benefit as described in the **Retirement Program** section above, then the amount of the 1959 Survivor benefit will be reduced by the amount of the Special Death benefit.

* An agency may contract for the benefit to become payable to a surviving spouse at age 60.

Cost-of-Living Adjustment

There is no cost-of-living adjustment to the 1959 Survivor benefit.

Employee Contributions

Each employee contributes \$2.00 per month. These contributions are non-refundable.

Impact on Employer Contributions

The employer contributions for this level of the 1959 Survivor benefit are billed separately. The costs of this benefit are not considered in this valuation.

FOURTH LEVEL 1959 SURVIVOR BENEFITS PROGRAM

Eligibility

An employee's *eligible survivor(s)* may receive the 1959 Survivor benefit if the member dies while actively employed and the member had elected to pay for coverage under this benefit program. 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 and who is either caring for unmarried children under age 22 or is at least 60 years old; or, if there is no eligible spouse, the member's unmarried children under age 22. A member's survivor who is eligible for any other pre-retirement death benefit described in the **Retirement Program** section above will receive the 1959 Survivor benefit in addition to that death benefit, except as described in the paragraphs below.

Benefit

The benefit, for members who elected this coverage or for whom this coverage was mandatory, is a monthly allowance equal to one of the following, depending upon the set of eligible survivors:

\$2,280 to an eligible spouse with two or more eligible children; or three or more eligible children.

\$1,900 to an eligible spouse with one eligible child; or two eligible children only.

\$950 to one eligible child only; or spouse age 60 or older; or dependent parents.

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, marriage or attainment of age 22.

If a member's survivor is receiving the Special Death benefit as described in the **Retirement Program** section above, then the amount of the 1959 Survivor benefit will be reduced by the amount of the Special Death benefit.

Cost-of-Living Adjustment

There is no cost-of-living adjustment to the 1959 Survivor benefit.

Employee Contributions

Each employee contributes \$2.00 per month. These contributions are non-refundable.

Impact on Employer Contributions

The employer contributions for this level of the 1959 Survivor benefit are billed separately. The costs of this benefit are not considered in this valuation.

INDEXED LEVEL 1959 SURVIVOR BENEFITS PROGRAM

Eligibility

An employee's *eligible survivor(s)* may receive the 1959 Survivor benefit if the member dies while actively employed and the member had elected to pay for coverage under this benefit program. 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 and who is either caring for unmarried children under age 22 or is at least 60 years old; or, if there is no eligible spouse, the member's unmarried children under age 22. A member's survivor who is eligible for any other pre-retirement death benefit described in the **Retirement Program** section above will receive the 1959 Survivor benefit in addition to that death benefit, except as described in the paragraphs below.

Benefit

The benefit, for members who elected this coverage or for whom this coverage was mandatory, is a monthly allowance equal to one of the following, depending upon the set of eligible survivors:

\$1,500 to an eligible spouse with two or more eligible children; or three or more eligible children.

\$1,000 to an eligible spouse with one eligible child; or two eligible children only.

\$500 to one eligible child only; or spouse age 60 or older; or dependent parents.

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, marriage or attainment of age 22.

If a member's survivor is receiving the Special Death benefit as described in the **Retirement Program** section above, then the amount of the 1959 Survivor benefit will be reduced by the amount of the Special Death benefit.

Cost-of-Living Adjustment

The benefits stated above were effective January 1, 2000. In each subsequent year following the effective date, the benefits are indexed at a rate of 2 percent per year for both beneficiaries already receiving the benefit and for potential beneficiaries of members who die in the future. As June 30, 2002, the respective benefits are \$1,561, \$1,040, and \$520.

Employee Contributions

Each employee contributes \$2.00 per month, until such time as the total annual cost exceeds \$4.00 per member, per month. After that point, the employee will pay for half of the total cost (but never less than \$2.00). These contributions are non-refundable.

Impact on Employer Contributions

The employer contributions for this level of the 1959 Survivor benefit are billed separately. The costs of this benefit are not considered in this valuation.

Appendix E

GLOSSARY

Glossary of Actuarial Terms

Present Value of Benefits

The total dollars needed as of the valuation date to fund all *past* and *future* benefits for *current* members of the plan.

Accrued Liability

The total dollars desired as of the valuation date to fund all *past* benefits for *current* members of the plan.

Normal Cost

The annual cost of providing benefits for the upcoming fiscal year. It should be viewed as the long term employer contribution rate.

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 avoid large fluctuations in the employer contribution rate.

Unfunded Liability

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

A plan with an actuarial value of assets in excess of the accrued liability is said to have excess assets (or is overfunded) and can temporarily reduce future contributions.