AGENDA: May 21, 2013

SUBJECT: CONSIDERATION OF REFINANCING UNFUNDED CALPERS PUBLIC SAFETY PLAN SIDE FUND OBLIGATION

SOURCE: Administration

COMMENT: In September 2003, CalPERS combined the retirement plans for public agencies with small groups (less than 100 employees) in an attempt to reduce the volatility of employer contribution rates, these agencies being placed in risk pools. At that time, the City's Police and Fire plans each had fewer than 100 employees. All agencies belonging to a risk pool are required to have the same contract provisions. Actuarial risk and the normal employer rate are calculated based on the entire pool rather than by individual entity. In addition to the normal rate, each entity that had an unfunded liability upon entering the pool was additionally assessed. CalPERS created a "Side Fund" to amortize each agency's unfunded liability over a fixed term at a fixed rate. The CalPERS Side Fund charges interest at a rate of 7.50%, equivalent to what CalPERS believes their annual average investment return rate would have been had they retained the funds to invest over twenty years.

The Side Fund expense is part of the employer's rate for CalPERS. The unfunded liability in the City's Side Fund is approximately $3.7 million, and is equivalent to 9.565% of the employer's share of the overall 31.234% Public Safety Plan CalPERS employer contribution rate for FY 2013/2014. Any savings on annual interest payments as a result of a lower interest rate would reduce this percentage and could be substantial.

Given the recent successful refinancing of the 2005 Certificates of Participation in coordination with Rabobank, the City has been presented with an opportunity to pay off the Side Fund obligation by issuing a pension obligation bond through Rabobank at a 3.0% fixed interest rate. Refinancing the CalPERS Side Fund for public safety employees presents an opportunity to realize approximately $350,000 in interest savings over the next seven (7) years, or the current term of the Side Fund obligation. This opportunity only exists for groups in risk pools, and therefore is not available for the Miscellaneous CalPERS Plan.

It is staff's recommendation to authorize the City Manager to sign the offered Term Sheet, and allow Rabobank to begin the proceedings toward the refunding of the CalPERS "Side Fund" obligation for interest savings.

Dir.____ Appropriated/Funded MB C/M____ Item No. 19

RECOMMENDATION: That the City Council consider proceeding with Rabobank in the refunding of the CalPERS Public Safety Side Fund, and authorize the City Manager to sign the offered Term Sheet.

ATTACHMENT:
1. Rabobank Term Sheet
2. CalPERS Public Safety Plan Annual Valuation Report

Rabobank

City of Porterville
Indicative Terms and Conditions as of May 15, 2013

By accepting this term sheet the City of Porterville (the "City") agrees that (i) it shall use the information contained herein solely for the purpose of evaluating a possible transaction between the City and Rabobank, N.A. (the "Bank") and for no other purpose and (ii) the City and its representatives will keep confidential and not disclose any of such information to any third parties other than its financial advisor and legal counsel, including the fact that the City is considering a possible transaction with the Bank. ***This proposal is not a commitment. The terms and conditions contained in this proposal are not intended to be exhaustive or all-inclusive, and the final legal documentation may include additional or different terms and conditions required by the Bank that are not included herein.***

Borrower:	The City of Porterville.
Bank:	Rabobank, N.A.
Purpose:	To provide refunding of 'Side Fund' obligation for interest savings.
Amount:	$4,000,000.
Use and Investment of Proceeds:	The City will invest and apply the proceeds of the sale of the bonds only as permitted by applicable law. Proceeds of the bonds will be used to refinance its side fund obligation to CalPERS.
Interest Rate:	3.0% fixed (indexed at 280 basis points over 1 month Libor)
Maturity:	7 years.
Nature of Obligation and Repayment:	Obligation is payable from any source of legally available funds of the City, including amounts on deposit in the general fund of the City. Principal and interest to be paid on same dates as existing Porterville loan with Rabobank, N.A..
Bank Fee:	$40,000.
Legal Fees/Expenses:	Estimated $20,000.
Bank Counsel:	TBD
Opinion of City's Counsel:	The Bank shall receive an opinion of counsel to the City acceptable to the Bank, including among other things an opinion that the debt has been

duly and validly authorized by the City and when issued and delivered to the Bank will each constitute a legal valid and binding obligation of the City, enforceable in accordance with its terms.

Documentation:	To be determined by bank counsel and borrower's counsel.
Conditions Precedent:	Any terms and conditions the Bank may reasonably require for transactions of this nature, including the following: • No default on any outstanding indebtedness.
Credit Approval and Offer Expiration:	**This term sheet is an indication of interest only and is not a commitment to lend. Any offer by the Bank in connection with the proposed transaction will be subject to the Bank's satisfactory completion of its due diligence review of the City, the Authority and final credit approval by the Bank.** The Bank anticipates, but cannot guaranty, being able to provide its credit decision within weeks of being given the mandate to purchase the warrants. The terms described herein expire May 15, 2013 unless extended by the Bank.
Absence of Fiduciary Relationship:	The City acknowledges that the transactions described in this document are arms'-length commercial transactions and that the Bank is acting as principal and in its best interests. The City is relying on its own experts, lawyers and advisors to determine whether the transactions described in this document are in its best interests. The City agrees that the Bank will act under this document as an independent contractor and that nothing in this document, the nature of the Bank's services or in any prior relationship will be deemed to create an advisory, fiduciary or agency relationship between the Bank, on the one hand, and the City, on the other hand. In addition, the Bank may employ the services of its affiliates in providing certain services in connection with the transactions described in this document and may exchange with such affiliates information concerning the City that may be the subject of the transactions described in this term sheet. **Please note that the Bank and its affiliates do not provide tax, accounting or legal advice. The Bank and its advisors are not serving as a municipal advisor to the City.**
Anti-tying Disclosure:	The extension of commercial loans or other products or services to the City by the Bank or any of its subsidiaries will not be conditioned on the City's taking other products or services offered by the Bank or any of its

Rabobank

subsidiaries or affiliates, unless such a condition is permitted under an exception to the anti-tying provisions of the U.S. Bank Holding Company Act of 1956, as amended, and the regulations issued by the Federal Reserve Board implementing the anti-tying rules (collectively, the "Anti-tying Rules"). The Bank will not vary the price or other terms of any product or service offered by the Bank or its subsidiaries on the condition that the City purchase another product or service from the Bank or any affiliate, unless the Bank is authorized to do so under an exception to the Anti-tying Rules. The Bank will not require the City to provide property or services to the Bank or any affiliate as a condition to the extension of a commercial loan to the City by the Bank or any of its subsidiaries, unless such a requirement is reasonably required to protect the safety and soundness of the loan. The Bank will not require the City to refrain from doing business with a competitor of the Bank or any of its affiliates as a condition to receiving a commercial loan from the Bank or any of its subsidiaries, unless the requirement is reasonably designed to ensure the soundness of the loan.

Bank Contacts:	Ian Carroll Senior Vice President Rabobank, N.A. 915 Highland Pointe Drive, Suite 350 Roseville, CA 95678 Telephone: 916-878-4655 Mobile: 916-494-9770 Fax: 916-494-9770 E-Mail: Ian.Carroll@rabobank.com
Acknowledged and Consented:	By:____________________ John Lollis CITY OF PORTERVILL

This document has been prepared by the Bank for information purposes only. This document is an indicative summary of the terms and conditions of the transaction described herein and may be amended, superseded or replaced by subsequent summaries. The final terms and conditions of the transaction will be set out in full in the applicable binding transaction document(s).

This document shall not constitute a commitment to participate in the transaction described herein, which shall be subject to the Bank's internal approvals. No transaction or services related thereto is contemplated without the Bank's subsequent formal agreement. The Bank is acting solely as principal and not as advisor or fiduciary. Accordingly you must independently determine, with your own advisors,

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the appropriateness for you of the transaction before investing or transacting. The Bank accepts no liability whatsoever for any direct, consequential or other losses arising from the use of this document or reliance on the information contained herein.

The Bank does not guarantee the accuracy or completeness of information which is contained in this document and which is stated to have been obtained from or is based upon trade and statistical services or other third party sources. Any data on past performance, modelling or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modeling or back-testing. All opinions and estimates are given as of the date hereof and are subject to change. The information in this document is not intended to predict actual results and no assurances are given with respect thereto.

The Bank, its affiliates and the individuals associated therewith may (in various capacities) participate in transactions identical or similar to those described herein.

IRS Circular 230 Disclosure: The Bank and its affiliates do not provide tax advice. Please note that (i) any discussion of US tax matters contained in this communication (including any attachments) cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.

THIS DOCUMENT DOES NOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ISSUES RELATED TO THE POTENTIAL TRANSACTION. PRIOR TO TRANSACTING, POTENTIAL PARTICIPANTS SHOULD ENSURE THAT THEY FULLY UNDERSTAND THE TERMS OF THE TRANSACTION AND ANY APPLICABLE RISKS.

CalPERS

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

October 2012

SAFETY PLAN OF THE CITY OF PORTERVILLE (CalPERS ID 5259660063)
Annual Valuation Report as of June 30, 2011

Dear Employer,

As an attachment to this letter, you will find a copy of Section 1 of the June 30, 2011 actuarial valuation report of your pension plan. Since your plan had less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool. The valuation report is divided into two Sections:

- Section 1 contains specific information for your plan, including the development of your pooled employer contribution rate, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to your plan, as of June 30, 2011.

Section 2 may be found on the CalPERS website (www.calpers.ca.gov) then selecting Employers >Actuarial & GASB 27 Information >Risk Pooling >Risk Pool Annual Valuation Report, or at the following address: http://ow.ly/eNpMg.

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 Valuation

The CalPERS' Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2011 valuation. The inflation rate changed from 3% to 2.75% and the discount rate changed from 7.75% to 7.5%. In addition, a temporary modification to our method of determining the actuarial value of assets and amortizing gains and losses was implemented for the valuations as of June 30, 2009 through June 30, 2011. The effect of those modifications continues in this valuation.

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

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2013/2014 along with an estimate of the contribution rate and Superfunded status for 2014/2015. The estimated rate for 2014/2015 is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal 2011/2012, namely 0%. See Section 2 Appendix E, "Analysis of Future Investment Return Scenarios", for how much the Risk Pool's portion of your rate is expected to increase in 2015/2016 rate projections under a variety of investment return scenarios for the Risk Pool's portion of your rate. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2013/2014	31.234%	No
2014/2015	32.8% (projected)	No

Member contributions (whether paid by the employer or the employee) are in addition to the above rates. Further, these rates do not reflect any cost sharing.

The estimate for 2014/2015 assumes 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 effect on your contribution rate. Even for the largest plans, such gains and losses can impact the employer's contribution rate by one or two percent or even more in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2014/2015 is just an estimate. Your actual rate for 2014/2015 will be provided in next year's report.

California Actuarial Advisory Panel Recommendations

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

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

- "Deterministic stress test", projecting future results under different investment income scenarios. (See Appendix E's Analysis of Future Investment Return Scenarios, from Section 2 of this report.)
- "Sensitivity analysis", showing the impact on current valuation results of a plus or minus 1% change in the discount rate. (See Appendix E's Analysis of Discount Rate Sensitivity, from Section 2 of this 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

ALAN MILLIGAN,
Chief Actuary

ACTUARIAL VALUATION

as of June 30, 2011

for the
SAFETY PLAN
of the
CITY OF PORTERVILLE

(CalPERS ID 5259660063)

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

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Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Specific Information for the SAFETY PLAN of the CITY OF PORTERVILLE

(CalPERS ID 5259660063)
(Rate Plan # 1389)

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ACTUARIAL CERTIFICATION

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2011 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2011 provided by employers participating in the risk pool to which your plan belongs and benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the Pool Actuary has certified that, in her opinion, the valuation of the Risk Pool containing your SAFETY PLAN has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the Risk Pool, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for your plan, it is my opinion as your Plan Actuary that the Side Fund as of June 30, 2011 and employer contribution rate as of July 1, 2013, have been properly and accurately determined in accordance with the principles and standards stated above.

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

MAY SHUANG YU for KELLY STURM, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

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HIGHLIGHTS AND EXECUTIVE SUMMARY

Purpose of Section 1

This section 1 report for the SAFETY PLAN of the CITY OF PORTERVILLE of the California Public Employees' Retirement System (CalPERS) was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2011;
- determine the required employer contribution rate for this plan for the fiscal year July 1, 2013 through June 30, 2014;
- provide actuarial information as of June 30, 2011 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2011 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Cost Sharing Multiple Employer Defined Benefit Pension Plan.

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

Required Employer Contributions

		Fiscal Year 2012/2013		Fiscal Year 2013/2014
Employer Contribution Required (in Projected Dollars)				
Risk Pool's Net Employer Normal Cost	$	1,010,606	$	1,028,790
Risk Pool's Payment on Amortization Bases		295,097		322,932
Surcharge for Class 1 Benefits				
a) FAC 1		61,324		58,236
Phase out of Normal Cost Difference		0		0
Amortization of Side Fund		604,818		622,358
Total Employer Contribution	$	1,971,845	$	2,032,316
Employee Cost Sharing		N/A		0
Net Employer Contribution		N/A		2,032,316
Annual Lump Sum Prepayment Option*	$	1,899,609	$	1,960,140
Projected Payroll for the Contribution Fiscal Year	$	6,509,962	$	6,506,798
Employer Contribution Required (Percentage of Payroll)				
Risk Pool's Net Employer Normal Cost		15.524%		15.811%
Risk Pool's Payment on Amortization Bases		4.533%		4.963%
Surcharge for Class 1 Benefits				
a) FAC 1		0.942%		0.895%
Phase out of Normal Cost Difference		0.000%		0.000%
Amortization of Side Fund		9.291%		9.565%
Total Employer Contribution		30.290%		31.234%
Employee Cost Sharing		N/A		(0.000%)
Net Employer Contribution		N/A		31.234%

Appendix C of Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

Risk pooling was implemented as of June 30, 2003. The normal cost difference is scheduled to be phased out over a five year period. The phase out of normal cost difference is 100% for the first year of pooling, and is incrementally reduced by 20% of the original normal cost difference for each subsequent year.

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

Plan's Funded Status

	June 30, 2010		June 30, 2011
1. Present Value of Projected Benefits (PVB)	N/A	$	59,701,395
2. Entry Age Normal Accrued Liability	N/A		44,878,288
3. Plan's Actuarial Value of Assets (AVA)	N/A	$	36,367,039
4. Unfunded Liability (AVA Basis) [(2) - (3)]	N/A	$	8,511,249
5. Funded Ratio (AVA Basis) [(3) / (2)]	N/A		81.0%
6. Plan's Market Value of Assets (MVA)	N/A	$	32,567,910
7. Unfunded Liability (MVA Basis) [(2) - (6)]	N/A		12,310,378
8. Funded Ratio (MVA Basis) [(6) / (2)]	N/A		72.6%

Superfunded Status

	June 30, 2010	June 30, 2011
Is the plan Superfunded? [Yes if AVA exceeds PVB, No otherwise]	No	No

Projected Contributions

The rate shown below is an estimate for the employer contribution for Fiscal Year 2014/2015. The estimated rate is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2011/2012, namely 0%:

Projected Employer Contribution Rate: 32.8%

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.0% in the 2011/2012 fiscal year. Therefore, the projected employer contribution rate for 2014/2015 is just an estimate. Your actual rate for 2014/2015 will be provided in next year's report.

Rate Volatility

Your plan's employer contribution rate will inevitably fluctuate, for many reasons. However, the biggest fluctuations are generally due to changes in the side fund rate resulting from unexpected changes in payroll. The following figure shows how much your 2014/2015 side fund rate would change for each 1% deviation between our 3.0% payroll growth assumption and your actual 2011/2012 payroll growth.

POTENTIAL 2014/2015 RATE IMPACT
FROM 2011/2012 PAYROLL DEVIATION

% Rate Change per 1% Deviation from Assumed 3.0% Payroll Growth: (0.092%)

Examples: To see how your employer contribution rate might be affected by unexpected payroll change, suppose the following:

- The % Rate Change per 1% Deviation figure given above is -0.400%
- Your plan's payroll increased 10% in 2011/2012 (7.0% more than our 3.0% assumption).

Then your 2014/2015 rate would decrease -0.400% x (10 – 3.0) = -2.80% from that cause alone.

Or conversely, using the same % Rate Change per 1% Deviation figure given above, suppose your plan's payroll remained the same in 2011/2012 (3.0% less than our 3.0% assumption).

Then your 2014/2015 rate would increase -0.400% x (0 – 3.0) = 1.2% from that cause alone.

Note that if your plan had a negative side fund, an unexpected payroll increase would spread the payback of the negative side fund over a bigger payroll, which would decrease your plan's side fund percentage rate and the total employer contribution rate. On the other hand, if your plan had a positive side fund, an unexpected payroll increase would spread the payback of the positive side fund over a larger payroll, which would increase your plan's side fund percentage rate and the total employer contribution rate. In either case, the amortization of Side Fund dollar amount would not change.

SUMMARY OF FINANCIAL AND DEMOGRAPHIC INFORMATION

Plan's Side Fund

At the time your plan joined the Risk Pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of your plan, in addition to your existing unfunded liability. The side fund for your plan as of the June 30, 2011 valuation is shown in the following table.

Your side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is 7.75% prior to July 1, 2012 and 7.5% after June 30, 2012. A positive side fund will cause your required employer contribution rate to be reduced by the Amortization of Side Fund shown above in Required Employer Contributions. A negative side fund will cause your required employer contribution rate to be increased by the Amortization of Side Fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period shown below.

Plan's Side Fund Reconciliation

	June 30, 2010	June 30, 2011
Side Fund as of valuation date*	$ (4,544,839)	$ (4,308,149)
Adjustments	0	0
Side Fund Payment	567,341	585,780
Side Fund one year later	$ (4,308,149)	$ (4,033,975)
Adjustments	0	0
Side Fund Payment	585,780	604,818
Side Fund two years later	$ (4,033,975)	$ (3,709,434)
Amortization Period	8	7
Side Fund Payment during last year	$ 604,818	$ 622,358

* If your agency employed superfunded vouchers in fiscal year 2010/2011 to pay employee contributions, the June 30, 2011 Side Fund amount has been adjusted by a like amount without any further adjustment to the Side Fund's amortization period. Similarly, the Side Fund has been adjusted for the increase in liability from any recently adopted Class 1 or Class 2 contract amendments. Also, the Side Fund may be adjusted or eliminated due to recent lump sum payments. Contract amendments and lump sum payments may result in an adjustment to the Side Fund amortization period.

Development of the Actuarial Value of Assets

		June 30, 2011
1. Plan's Accrued Liability	$	44,878,288
2. Plan's Side Fund		(4,308,149)
3. Pool's Accrued Liability		2,061,923,933
4. Pool's Side Fund		(99,308,581)
5. Pool's Actuarial Value of Assets Including Receivables		1,759,286,797
6. Plan's Actuarial Value of Assets (AVA) Including Receivables [(1 + 2) / (3 + 4) x 5]	$	36,367,039
7. Pool's Market Value of Assets (MVA) Including Receivables		1,575,500,641
8. Plan's Market Value of Assets (MVA) Including Receivables [(1 + 2) / (3 + 4) x 7]	$	32,567,910

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market 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
06/30/11	$ 44,878,288	$ 36,367,039	$ 32,567,910	81.0%	72.6%	$ 5,954,642

Plan's Total Normal Cost Rate

The Public Employees' Pension Reform Act of 2013 requires that new employees pay at least 50% of the total annual normal cost and that current employees approach the same goal through collective bargaining. Please refer to the CalPERS website for more details.

Shown below is the total annual normal cost rate for your plan. Note that this rate is for current members only.

	Fiscal Year 2012/2013	Fiscal Year 2013/2014
Pool's Net Total Normal Cost Rate	N/A	24.790%
Surcharge for Class 1 Benefits		
a) FAC 1	N/A	0.895%
Plan's Total Normal Cost Rate	N/A	25.685%

Hypothetical Termination Liability

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

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

Valuation Date	Hypothetical Termination Liability	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Discount Rate
06/30/11	$ 62,850,963	$ 32,567,910	$ 30,283,053	51.8%	4.82%

Summary of Participant Data

The table below shows a summary of your plan's member data upon which this valuation is based:

	June 30, 2010	June 30, 2011
Projected Payroll for Contribution Purposes	$ 6,509,962	$ 6,506,798
Number of Members		
Active	96	95
Transferred	50	47
Separated	27	32
Retired	67	71

List of Class 1 Benefit Provisions

- One Year Final Compensation

Information for Compliance with GASB Statement No. 27 for Cost-Sharing Multiple-Employer Defined Benefit Plan

Your plan is part of the Safety 3.0% at 55 Risk Pool, a cost-sharing multiple-employer defined benefit plan. Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. Your unadjusted contribution rate for the indicated period is 31.234% of payroll. In order to calculate the dollar value of the contractually required contributions for inclusion in financial statements prepared as of June 30, 2014, this contribution rate, less any employee cost sharing, and as modified by any subsequent financing changes or contract amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2013 to June 30, 2014. However, if this contribution is fully prepaid in a lump sum, then the dollar value of contractually required contributions is equal to the lump sum prepayment. The employer and the employer's auditor are responsible for determining the contractually required contributions. Further, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years is to be disclosed under GASB 27.

A summary of principal assumptions and methods used to determine the contractually required contributions is shown below for the cost-sharing multiple-employer defined benefit plan.

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Complete information on assumptions and methods is provided in Appendix A of Section 2 of the report. Appendix B of Section 2 of the report contains a description of benefits included in the Risk Pool Actuarial Valuation.

A Schedule of Funding for the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll for the risk pool(s) to which your plan belongs can be found in Section 2 of the report.

Summary of Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Appendix B within Section 2 of this report.

	Coverage Group	
	74001	75001
Benefit Provision		
Benefit Formula	3.0% @ 55	3.0% @ 55
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	yes	yes
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)	no	no
COLA	2%	2%
Employee Contributions		
Contractual employer paid	no	no

*Inactive Coverage Group