Actuarial & Employer Services Division
P.O. Box 942709
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CalPERS

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FINANCE OFFICE

October 19, 2004

SAFETY PLAN OF THE CITY OF CHICO (EMPLOYER # 533)
Annual Valuation Report as of June 30, 2003

Dear Employer,

Enclosed please find a copy of the June 30, 2003, 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.

Changes Since Prior Year's Valuation

There are several changes in the June 30, 2003 valuation compared to the prior year including: the actuarial investment loss for 2002/2003, plan changes from amendments if applicable, new actuarial assumptions, the actuarial value of assets set to 110% of market value, and improved industrial disability benefits due to settlement of Arnett case and mandatory pooling for plans with less than 100 active members. The effects of these changes on your required employer contribution for 2005/2006 are shown on page 10 of the report.

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2005/2006 along with an estimate of the contribution rate and Superfunded status for 2006/2007. The estimated rate for 2006/2007 is based on a projection of the most recent information we have available, including our latest best estimate of the investment return for fiscal 2003/2004, namely 16.0%. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2005/2006	28.166%	NO
2006/2007	28.4% (projected)	NO

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

The estimate for 2006/2007 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 important assumption because these gains and losses do occur and can have a significant effect on your contribution rate. Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate of one or two percent or larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2006/2007 is just an estimate. Your actual rate for 2006/2007 will be provided in next year's report.

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

Sincerely,

Ron Seeling

Ronald L. Seeling
Chief Actuary, Actuarial and Employer Services

FD __ ACCT (Pay)__ ACCT (Rev) X ACC
AT (Bud)__ (Grnt)__ (Inv)__ (Pay)__ (Rev)__
CM __ ACM __ PerD X Other ____
Mtg/TF ____ File P/R-2-3

ACTUARIAL VALUATION
as of June 30, 2003

for the
SAFETY PLAN
of the
CITY OF CHICO
(EMPLOYER # 533)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2005 - June 30, 2006

CalPERS

California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
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CalPERS
Actuarial & Employer Services Division
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October 19, 2004

This report presents the results of the June 30, 2003 actuarial valuation of the SAFETY PLAN OF THE CITY OF CHICO 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 fundiug liabilities of this plan as of June 30, 2003;
- certify the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2005 through June 30, 2006 is 28.166%;
- provide actuarial information as of June 30, 2003 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2003 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 SAFETY PLAN OF THE CITY OF CHICO. This valuation is based on the member and financial data as of June 30, 2003 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.

Ron Seeling

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

Barbara J. Ware

Barbara J. Ware, F.S.A., M.A.A.A.
Enrolled Actuary
Senior Pension Actuary, CalPERS

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EXECUTIVE SUMMARY

Assets and Liabilities		June 30, 2002		June 30, 2003
Retirement Program				
Market Value of Assets for the Retirement Program	$	49,035,731	$	51,874,319
Present Value of Projected Benefits		85,485,124		94,296,635
Entry Age Normal Accrued Liability		62,908,260		68,945,613
Actuarial Value of Assets		53,939,304		57,061,751
Unfunded Liability		8,968,956		11,883,862
Funded Status		85.7%		82.8%
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		0		0
Unfunded Liability		0		0

Required Contributions		Fiscal Year 2004/2005		Fiscal Year 2005/2006
Employer Contribution Required (in Projected Dollars)				
Payment for Normal Cost	$	1,889,948	$	2,062,073
Payment on Amortization Bases [2]		773,106		1,089,369
Total (not less than zero) [3]		2,663,054		3,151,442
Employer Contribution Required (Percentage of Projected Payroll)				
Payment for Normal Cost		19.748%		18.430%
Payment on the Amortization Bases [2]		8.078%		9.736%
Total (not less than zero) [3]		27.826%		28.166%

The investment returns of -7.2% for 2000/2001, -5.9% for 2001/2002 and 3.9% for 2002/2003 have each produced actuarial losses compared to the assumption of 8.25% for those years. Because of the asset smoothing method, only a portion of the total loss for these years has been reflected in your employer contribution rates through 2005/2006. The balance of the loss will have an adverse impact on your employer contribution rate in subsequent years. 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 billed separately. More information on the 1959 Survivor Benefit Program First and Second Level can be found on page 4.
2. Details regarding this payment can be found on Page 11 for the current valuation.
3. Prior to 2005/2006, the contribution for the 1959 Survivor Benefit program First and Second level was calculated for each agency on a stand-alone basis and included with the contribution for the retirement program in those prior reports. Beginning with 2005/2006, the contribution for the 1959 Survivor Benefit program First and Second Level is calculated on a pooled basis and billed separately.

EXECUTIVE SUMMARY (continued)

Summary of Membership Data

	June 30, 2002	June 30, 2003
Members Included in the Valuation [1]		
Active Members	143	151
Transferred Members	30	28
Separated Members	13	15
Members and Beneficiaries Receiving Payments	123	122
Total	309	316
Annual Covered Payroll	$ 8,569,635	$ 10,165,028
Projected Annual Payroll for Contribution Year	9,570,324	11,188,678
Present Value of Future Salaries	80,317,653	94,653,026
Average Annual Covered Pay	$ 59,928	$ 67,318
Average Attained Age for Actives	39.47	39.71
Average Entry Age into Rate Plan for Actives	29.04	28.98
Average Attained Age for Transfers	42.62	44.09
Average Attained Age for Separations	40.60	40.67
Average Attained Age for Retirees and Beneficiaries	63.74	64.50
Average Annual Benefit for Retirees and Beneficiaries	$ 15,406	$ 15,965

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.

Changes Since Prior Valuation

Actuarial Assnmptions

In May 2004, the CalPERS Board approved a new set of actuarial assumptions to be used in the June 30, 2003 valuation, for the purpose of determining the 2005/2006 employer contribution rates. The new assumptions are described in Appendix A. The inflation assumption was reduced from 3.50% to 3.00%, causing a corresponding 0.50% reduction in the salary growth and overall payroll growth assumptions as well as the investment return assumption. The new investment return assumption is 7.75%. The effect of the change in assumptions on the unfunded liability is shown on page 8 of this report and the effect on your employer contribution rate is shown on page 9.

Methods

In April 2004 the CalPERS Board approved setting the actuarial value of assets to 110% of market value in the June 30, 2003 valuation, for the purpose of determining the 2005/2006 employer contribution rates. The effect of this change on the unfunded liability is shown on page 8 of this report and the effect on the employer contribution rate is shown on page 9. The Board made this change to facilitate the transition to pooling for plans with less than 100 active members. Since 91% of all public agency plans already had their actuarial value of assets at or above 109%, this change has very little impact on the employer contribution rate for 2005/2006 for the great majority of plans.

Benefits

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

The following benefit changes are included for the first time in this valuation:

The recent settlement of the Arnett case improved industrial disability (IDR) benefits for eligible CalPERS public ageucy members by eliminating the effect of Government Code Section 21417. Section 21417 limited IDR benefits to an amount less than 50% of final compensation for members hired at later ages. IDR benefits for disabled members who were adversely affected by Section 21417 were raised to 50% of final compensation effective July 1, 2001. Monthly benefit payment amounts were changed during the 2002/2003 fiscal year and full retroactive adjustments were made back to July 1, 2001. 50% retroactive adjustments were made from July 1, 2001 back to October 16, 1992 for members who became disabled prior to that date. The retroactive adjustment payments were paid during fiscal 2002/2003. The increase in the unfunded liability resulting from the increased monthly benefits and the retroactive adjustment payments is not separately determined in this valuation but is included in the 2002/2003 actuarial gain/loss shown on page 8 of the report. If you would like an estimate of this amount, please contact your CalPERS actuary. For active members who are projected to become eligible for IDR benefits in the future, the effect of this change on the unfunded liability is shown on page 8 of the report and the effect on your employer contribution rate is shown on page 9.

In February 2002, the CalPERS Board approved the conceptual details for pooling of small public agency plans. In October 2003, Assembly Bill 1974 was chaptered giving full authority to the Board to implement pooling. Pooling is mandatory for all public agency plans with less than 100 active members as of June 30, 2003. There are nine active pools, one for each miscellaneous or safety benefit formula. All plans in a pool have the same basic benefit formula. Cost adjustments are made for certain "Class 1" benefits including One-Year Final Compensation, Post Retirement Survivor Allowance, 3%, 4% or 5% COLA, and IDR for miscellaneous members. In order to ensure similarity of other benefit provisions within the pool, the Board mandated certain benefits for all pooled plans effective July 1, 2005. Since the June 30, 2003 valuation determines the employer contribution rate for 2005/2006, these mandated benefits have been included for plans with less than 100 active members on the valuation date. Only two of the mandated benefits have an effect on plan costs - Credit for Unused Sick Leave and Pre-Retirement Optional Settlement 2 Death Benefit. In addition, pooled plans will have an initial side fund amortization established to reflect funded status at implementation. For this reason, pooled plans have a mandatory fresh start of amortization bases over the net period effective for the multiple bases. The effect of the mandated benefits on the unfunded liability is shown on page 8 of the report and the effect on your employer contribution rate is shown on page 9.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to Appendix B for a summary of the plan provisions used in the valuation. The effect of any plan amendments on the unfunded liability is shown on page 8 of this report and the effect on your employer contribution rate is shown on page 9. It should be noted that no change in liability or rate is shown for any plan changes which were already included in the prior year's valuation.

Prior to 2005/2006, the contribution for the 1959 Survivor Benefit program First and Second level was calculated for each agency on a stand-alone basis and included with the contribution for the retirement program in this report. Beginning with 2005/2006, the contribution for the 1959 Survivor Benefit program First and Second Level is calculated on a pooled basis and billed separately.

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)
Retirement Program						
6/30/01	$ 58,185,820	$ 56,279,040	$ 1,906,780	96.7%	$ 7,947,946	24.0%
6/30/02	62,908,260	53,939,304	8,968,956	85.7%	8,569,635	104.7%
6/30/03	68,945,613	57,061,751	11,883,862	82.8%	10,165,028	116.9%
1959 Survivor Program						
6/30/01	$ 0	$ 0	$ 0	-	$ 7,947,946	0.0%
6/30/02	0	0	0	-	8,569,635	0.0%
6/30/03	0	0	0	-	10,165,028	0.0%

Prior to 2005/2006, the contribution for the 1959 Survivor Benefit program First and Second level was calculated for each agency on a stand-alone basis and included with the contribution for the retirement program in those prior reports. Beginning with 2005/2006, the contribution for the 1959 Survivor Benefit program First and Second Level is calculated on a pooled basis and billed separately.

SECTION 1 ASSETS

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

Retirement Program

1.	Beginning Balance 6/30/02	$	49,035,731
2.	Employer Contributions [1]		2,021,143
3.	Employee Contributions [1]		954,966
4.	Benefit Payments to Retirees and Beneficiaries		(1,982,419)
5.	Refunds		0
6.	Lump Sum Payments		0
7.	Investment Return		1,844,898
8.	Transfers In/Out and Miscellaneous Adjustments [2]		0
9.	Euding Balance 6/30/03 [(1)+(2)+(3)+(4)+(5)+(6)+(7)+(8)]		51,874,319

1959 Survivor Benefit Program (First or Second Level)

1.	Beginning Balance 6/30/02	$	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		0
6.	Ending Balance 6/30/03 [(1)+(2)+(3)+(4)+(5)]		0

[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, 2002	$	53,939,304
2.	Contributions received during fiscal 2002/2003		2,976,109
3.	Benefits and Refunds paid during fiscal 2002/2003		(1,982,419)
4.	Transfers and Miscellaneous Adjustments paid during fiscal 2002/2003		0
5.	Expected investment earnings during fiscal 2002/2003 [(1) x .0825 + ($1.0825^{½}$ - 1) x ((2) + (3) + (4))]		4,490,170
6.	Expected Actuarial Value of Assets as of June 30, 2003 [(1) + (2) + (3) + (4)+ (5)]		59,423,164
7.	Market Value of Assets as of June 30, 2003		51,874,319
8.	Preliminary Actuarial Value of Assets as of Jnne 30, 2003 [(6) + ((7) - (6)) / 3, but not less than 90% or more than 110% of (7)]		56,906,882
9.	Change due to setting Actuarial Value of Assets to 110% of Market Value		154,869
10.	Final Actuarial Value of Assets as of June 30, 2003 = [(8) + (9)]		57,061,751
11.	Actuarial Value as a Percentage of Market Value as of June 30, 2003 [(10) / (7)]		110.0%

1959 Survivor Benefit Program (First or Second Level)

1.	Actuarial Value of Assets as of June 30, 2002	$	0
2.	Contributions received during fiscal 2002/2003		0
3.	Benefits paid during fiscal 2002/2003		0
4.	Transfers and Miscellaneous Adjustments paid during fiscal 2002/2003		0
5.	Expected investment earnings during fiscal 2002/2003 [(1 x .0825 + ($1.0825^{½}$ - 1) x ((2) + (3) + (4))]		0
6.	Expected Actuarial Value of Assets as of June 30, 2003 [(1) + (2) + (3) + (4) + (5)]		0
7.	Market Value of Assets as of June 30, 2003		0
8.	Actuarial Value of Assets as of June 30, 2003 [(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, 2003 [(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	$	62,849,153
	b) Transferred Members		2,975,790
	c) Separated Members		1,115,571
	d) Members and Beneficiaries Receiving Payments		27,356,121
	e) Total		94,296,635
2.	Present Value of Future Employer Normal Costs		16,832,253
3.	Present Value of Future Employee Contributions		8,518,769
4.	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]		37,498,131
	b) Transferred Members		2,975,790
	c) Separated Members		1,115,571
	d) Members and Beneficiaries Receiving Payments		27,356,121
	e) Total		68,945,613
5.	Actuarial Value of Assets		57,061,751
6.	Unfunded Accrued Liability/(Excess Assets) [(4e) - (5)]		11,883,862

SECTION 2 LIABILITIES (continued)

B (Gain)/Loss Analysis 6/30/02 – 6/30/03 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 6/30/02	$	8,968,956
2.	Expected Payment on the Unfunded Liability (UL) during 2002/2003		110,426
3.	Interest through 6/30/03 [.0825 x (A1) – ((1.0825)^{½} - 1) x (A2) + adj.[1]]		735,473
4.	Expected UL before all other changes [(A1) - (A2) + (A3)]		9,594,003
5.	Change in UL due to new plan amendments		0
6.	Change in UL due to change in actuarial assumptions		(1,569,629)
7.	Change in UL due to Arnett Case [2]		(45,281)
8.	Change in UL due to pooling implementation		0
9.	Change in UL due to setting actuarial value of assets = 110% of market		(154,869)
10.	Expected UL after all other changes [A4 + A5 + A6 + A7 + A8 + A9]		7,824,224
11.	Actual UL as of 6/30/03		11,883,862
12.	Total (Gain)/Loss for 2002/2003 [(A11) – (A10)]		4,059,638
B.	**Contribution (Gain)/Loss for the Year**		
1.	Expected Contribution	$	2,666,410
2.	Expected Interest on Expected Contributions		107,810
3.	Actual Contribution		2,976,109
4.	Expected Interest on Actual Contribution		120,332
5.	Contribution (Gain)/Loss [(B1)+(B2)-(B3)-(B4)]		(322,221)
C.	**Asset (Gain)/Loss for the Year**		
1.	Actuarial Value of Assets as of 6/30/02	$	53,939,304
2.	Contributions Received during 2002/2003		2,976,109
3.	Benefits and Refunds Paid during 2002/2003		(1,982,419)
4.	Transfers/Misc. Adjustments paid during fiscal 2002/2003		0
5.	Expected Int. [.0825 x (C1) + ((1.0825)^{½} - 1) x ((C2) + (C3) + (C4))]		4,490,170
6.	Expected Assets as of 6/30/03 [(C1) + (C2) + (C3) + (C4) + (C5)]		59,423,164
7.	Change due to setting actuarial value of assets = 110% of market		154,869
8.	Actual Actuarial Value of Assets as of 6/30/03		57,061,751
9.	Asset (Gain)/Loss for 2002/2003 [(C6)+(C7)-(C8)]		2,516,282
D.	**Liability (Gain)/Loss for the Year**		
1.	Total (Gain)/Loss (A12)	$	4,059,638
2.	Contribution (Gain)/Loss (B5)		(322,221)
3.	Asset (Gain)/Loss (C9)		2,516,282
4.	Liability (Gain)/Loss [(D1) – (D2) – (D3)]		1,865,577

[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] Change only includes effect of Arnett Case for active members. The effect of the Arnett Case for inactive members is included in item A(12). If you would like an estimate of this amount separately, contact your CalPERS actuary.

SECTION 3 REQUIRED CONTRIBUTIONS

A Development of Required Employer Contributions

		Fiscal Year
Employer Contribution Required (in Projected Dollars)		2005/2006
Payment for Normal Cost	$	2,062,073
Payment on Amortization Bases [1]		1,089,369
Total (not less than zero)		3,151,442
Employer Contribution Required (Percent of Projected Payroll)		
Payment for Normal Cost		18.430%
Payment on the Amortization Bases [1]		9.736%
Total (not less than zero)		28.166%

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

B Reconciliation of Required Employer Contributions

		Percentage of Projected Payroll		Estimated $ Based on Projected Payroll
1.	Contribution for 7/1/04 - 6/30/05 [1]	27.826%	$	2,663,054
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	2.892%		323,674
	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		450,323
	f) Effect of changes in Actuarial Methods or Assumptions	(2.800%)		(313,294)
	g) Effect of changes in Actuarial Value of Assets	(0.121%)		(13,581)
	h) Effect of changes due to Arnett Case [3]	0.369%		41,266
	i) Effect of changes dut ot Pooling Implementation	0.000%		0
	j) Effect of changes due to Fresh Start	0.000%		0
	k) Net effect of the changes above [Sum of (a) through (j)]	0.340%		488,388
3.	Contribution for 7/1/05 - 6/30/06 [(1)+(2k)] [4]	28.166%		3,151,442

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 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.

3 Change only includes effect of Arnett Case for active members. The effect of the Arnett Case for inactive members is included in item 2 (b). If you would like an estimate of this amount separately, contact the CalPERS actuary.

4 This contribution does not include the contribution for 1959 Survivor Benefit First and Second Level, if applicable. Prior to 2005/2006, the contribution for the 1959 Survivor Benefit Program First and Second Level was calculated for each agency on a stand-alone basis and included with the contribution for the retirement program in this report. Beginning with 2005/2006, the contribution for 1959 Survivor Benefit program First and Second Level is calculated on a pooled basis and billed separately.

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, 2003 and determines the employer contribution rate for the 2005-2006 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 on the Unfunded Liability for the fiscal year and adjusting for interest. The Expected Payment on the Unfunded Liability for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution Rate for the first fiscal year is determined by the actuarial valuation two years ago and the rate for the second year is from the actuarial valuation one year ago. The Normal Cost Rate for each of the two fiscal years is assumed to be the same as the rate determined by the current valuation. All expected dollar amounts are determiued 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 2003/2004 from 6/30/2001 Valuation [1]		21.383%
2.	Projected Annual Payroll for 2003/2004 from 6/30/2003 Valuation [2]	$	10,495,391
3.	Employer Contribution Rate for 2004/2005 from 6/30/2002 Valuation [1]		27.826%
4.	Projected Annual Payroll for 2004/2005 from 6/30/2003 Valuation [2]	$	10,836,491
5.	Projected Annual Payroll for 2005/2006 from 6/30/2003 Valuation [2]	$	11,188,678
6.	Employer Normal Cost Rate from 6/30/2003 Valuation		18.430%
7.	6/30/2003 Unfunded Liability	$	11,883,862
8.	Expected Employer Normal Cost for 2003/2004 = (6) x (2)		1,934,301
9.	Expected Employer Contribution = (1) x (2)		2,244,229
10.	Expected Payment on Unfunded Liability = (9) – (8)		309,929
11.	Expected Interest on (7) and (10) at 7.75% assuming mid-year payments of contributions		909,215
12.	6/30/2004 Expected Unfunded Liability = (7) - (10) + (11)		12,483,148
13.	Expected Employer Normal Cost for 2004-2005 = (6) x (4)	$	1,997,165
14.	Expected Employer Contribution = (3) x (4)		3,015,362
15.	Expected Payment on Unfunded Liability = (14) – (13)		1,018,197
16.	Expected Interest on (12) and (15) at 7.75%		928,724
17.	6/30/2005 Rolled Forward Unfunded Liability = (12) - (15) + (16)		12,393,675

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 3.25% 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 1. 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, 2005 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 2003/2004 and 2004/2005 are the fiscal year's expected payrolls multiplied by the difference between the fiscal year's total employer rate percentage and the June 30, 2003 employer normal cost percentage. The total payroll is expected to grow by 3.25% annually. Please see Appendix A for more detail, particularly for an explanation of how amortization periods are determined.

								Amounts for Fiscal 2005/2006		
Reason for Base	**Date Estab-lished**	**Initial Amount**	**Amorti -zation Period**	**Balance 6/30/03**	**Expected Payment 2003/2004**	**Balance 6/30/04**	**Expected Payment 2004/2005**	**Balance Beginning of Fiscal Year**	**Scheduled Payment for the Fiscal Year**	**Payment as Percentage of Payroll**
(GAIN)/LOSS	06/30/03	$4,059,638[1]	N/A	$4,059,638	$0	$4,374,260	$0	$4,713,265	$489,250	4.373%
PAYMENT (GAIN)/LOSS	06/30/03	$0[2]	N/A	$0	$53,212	$(55,235)	$135,751	$(200,429)	$(20,805)	(0.186%)
FRESH START	06/30/02	$8,968,956	19	$9,594,003	$150,819	$10,180,984	$773,106	$10,167,505	$793,639	7.093%
ARNETT CASE	06/30/03	$(45,281)	20	$(45,281)	$(36,734)	$(10,659)	$(37,928)	$27,885	$2,106	0.019%
ASSETS CHANGE	06/30/03	$(154,869)	20	$(154,869)	$0	$(166,871)	$0	$(179,804)	$(13,581)	(0.121%)
ASSUMPTION CHANGE	06/30/03	$(1,569,629)	20	$(1,569,629)	$142,632	$(1,839,331)	$147,268	$(2,134,747)	$(161,240)	(1.441%)
TOTAL				**$11,883,862**	**$309,929**	**$12,483,148**	**$1,018,197**	**$12,393,675**	**$1,089,369**	**9.737%**

[1] The initial balance was the difference between the expected unfunded liability and the actual unfunded liability as of the date established. Subsequent balances were developed on page 8 of this report.

[2] Each expected payment is equal to the prior year's expected payment plus the difference between this year's total expected payment and prior year's corresponding total expected payment.

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 Non-industrial	Disability Retiree Industrial	Death In Service Non-industrial	Death In Service Industrial	Death After Retirement	All Benefits	Total Benefits
Under 5 Yrs	8	0	5	0	0	0	**13**	
	$22,974	$0	$30,720	$0	$0	$0	**$25,953**	**$337,391**
5-9	18	0	10	0	0	0	**28**	
	$22,615	$0	$19,204	$0	$0	$0	**$21,397**	**$599,119**
10-14	10	1	13	0	0	0	**24**	
	$18,911	$4,638	$20,571	$0	$0	$0	**$19,215**	**$461,168**
15-19	10	1	10	0	0	2	**23**	
	$5,080	$14,182	$12,697	$0	$0	$11,495	**$9,345**	**$214,938**
20-24	4	1	8	0	0	4	**17**	
	$10,511	$7,802	$14,321	$0	$0	$10,913	**$12,239**	**$208,061**
25-29	7	0	1	0	0	4	**12**	
	$8,835	$0	$12,784	$0	$0	$8,374	**$9,010**	**$108,123**
30 and Over	1	0	0	0	1	3	**5**	
	$3,969	$0	$0	$0	$6,579	$2,782	**$3,779**	**$18,894**
Total	**58**	**3**	**47**	**0**	**1**	**13**	**122**	
Average	**$16,183**	**$8,874**	**$18,455**	**$0**	**$6,579**	**$8,345**	**$15,965**	**$1,947,694**

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	Type of Retirement Benefit: Service Retiree	Disability Retiree: Non-industrial	Disability Retiree: Industrial	Death In Service: Non-industrial	Death In Service: Industrial	Death After Retirement	All Benefits	Total Benefits
Under 30	0	0	0	0	0	0	**0**	
	$0	$0	$0	$0	$0	$0	**$0**	**$0**
30-34	0	0	0	0	0	0	**0**	
	$0	$0	$0	$0	$0	$0	**$0**	**$0**
35-39	0	0	0	0	0	0	**0**	
	$0	$0	$0	$0	$0	$0	**$0**	**$0**
40-44	0	0	3	0	0	0	**3**	
	$0	$0	$22,532	$0	$0	$0	**$22,532**	**$67,595**
45-49	0	0	4	0	0	0	**4**	
	$0	$0	$18,825	$0	$0	$0	**$18,825**	**$75,299**
50-54	3	0	10	0	0	0	**13**	
	$13,934	$0	$21,139	$0	$0	$0	**$19,476**	**$253,191**
55-59	10	1	14	0	0	2	**27**	
	$23,802	$14,182	$19,009	$0	$0	$3,180	**$19,433**	**$524,686**
60-64	12	1	5	0	0	0	**18**	
	$24,774	$7,802	$18,901	$0	$0	$0	**$22,200**	**$399,595**
65-69	13	1	9	0	0	1	**24**	
	$16,518	$4,638	$16,722	$0	$0	$19,571	**$16,226**	**$389,434**
70-74	6	0	2	0	0	5	**13**	
	$5,896	$0	$979	$0	$0	$12,320	**$7,610**	**$98,936**
75-79	4	0	0	0	0	1	**5**	
	$7,819	$0	$0	$0	$0	$1,232	**$6,502**	**$32,508**
80-84	8	0	0	0	0	1	**9**	
	$9,121	$0	$0	$0	$0	$177	**$8,128**	**$73,148**
85 and Over	2	0	0	0	1	3	**6**	
	$3,590	$0	$0	$0	$6,579	$6,514	**$5,550**	**$33,302**
All Ages	**58**	**3**	**47**	**0**	**1**	**13**	**122**	
Average	**$16,183**	**$8,874**	**$18,455**	**$0**	**$6,579**	**$8,345**	**$15,965**	**$1,947,694**

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 0-4	5-9	10-14	15-19	20-29	30+	All Years	Valuation Payroll
15-24	0	0	0	0	0	0	**0**	
	$0	$0	$0	$0	$0	$0	**$0**	**$0**
25-29	19	1	0	0	0	0	**20**	
	$51,249	$66,262	$0	$0	$0	$0	**$51,999**	**$1,039,987**
30-34	13	12	1	0	0	0	**26**	
	$57,145	$64,102	$61,400	$0	$0	$0	**$60,520**	**$1,573,515**
35-39	11	9	7	4	0	0	**31**	
	$57,506	$66,149	$71,159	$75,875	$0	$0	**$65,468**	**$2,029,522**
40-44	3	3	11	9	0	0	**26**	
	$54,574	$70,223	$77,011	$75,777	$0	$0	**$73,212**	**$1,903,509**
45-49	4	4	6	8	9	0	**31**	
	$67,009	$76,205	$68,324	$68,919	$74,656	$0	**$71,163**	**$2,206,051**
50-54	0	1	1	2	5	2	**11**	
	$0	$61,054	$62,351	$73,121	$88,862	$74,044	**$78,368**	**$862,043**
55-59	1	1	0	1	1	2	**6**	
	$128,995	$131,383	$0	$71,248	$67,326	$75,725	**$91,734**	**$550,401**
60-64	0	0	0	0	0	0	**0**	
	$0	$0	$0	$0	$0	$0	**$0**	**$0**
65+	0	0	0	0	0	0	**0**	
	$0	$0	$0	$0	$0	$0	**$0**	**$0**
All Ages	**51**	**31**	**26**	**24**	**15**	**4**	**151**	
Average	**$57,057**	**$68,992**	**$72,267**	**$73,097**	**$78,903**	**$74,884**	**$67,318**	**$10,165,028**

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 plns 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

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

Salary Growth

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

Public Agency Miscellaneous

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

Public Agency Fire

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

Public Agency Police

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

Public Agency County Peace Officers

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

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

Overall Payroll Growth

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

Inflation

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

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

Pre-Retirement Mortality

Non-Industrial Death Rates vary by age and sex. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial death rates are used for Safety Plans and Local Prosecutors.

	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
Age	Male	Female	Male and Female
20	0.00019	0.00009	0.00003
25	0.00027	0.00014	0.00007
30	0.00038	0.00021	0.00010
35	0.00054	0.00031	0.00013
40	0.00077	0.00046	0.00017
45	0.00110	0.00068	0.00020
50	0.00156	0.00102	0.00023
55	0.00221	0.00151	0.00027
60	0.00314	0.00226	0.00030

Miscellaneous Plans usually have Industrial Death rates set to zero unless the agency has specifically contracted for Industrial Death benefits. If so, each Non-Industrial Death rate shown above will be split iuto two components: 99% will become the Non-Industrial Death rate and 1% will become the Industrial Death rate.

Post-Retirement Mortality

Rates vary by age and sex. See sample rates in table below. These rates are used for all plans.

	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
Age	Male	Female	Male	Female	Male	Female
50	0.00245	0.00136	0.01459	0.01129	0.00546	0.00388
55	0.00429	0.00253	0.02115	0.01481	0.00616	0.00568
60	0.00721	0.00442	0.02870	0.01884	0.01016	0.00818
65	0.01302	0.00795	0.03617	0.02356	0.01853	0.01214
70	0.02135	0.01276	0.04673	0.03020	0.03369	0.01760
75	0.03716	0.02156	0.06552	0.04298	0.05768	0.02774
80	0.06256	0.03883	0.09481	0.06514	0.08670	0.04690
85	0.10195	0.07219	0.14041	0.10269	0.13032	0.08262
90	0.17379	0.12592	0.20793	0.16189	0.19588	0.13984
95	0.25917	0.21773	0.30792	0.25522	0.29444	0.23566
100	0.34724	0.32036	0.45599	0.40236	0.44259	0.35341

Marital Status

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

Member Category	Percent Married
Miscellaneous Member	85%
Local Police	90%
Local Fire	90%
Other Local Safety	90%
School Police	90%

Age of Spouse

It is assumed that female spouses are 3 years younger than male spouses. This assumption is used for all plans.

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.

Termination with Refund

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

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1760	0.1691	0.1622	0.1553	0.1483	0.1414
1	0.1561	0.1492	0.1423	0.1353	0.1284	0.1215
2	0.1362	0.1293	0.1224	0.1154	0.1085	0.1016
3	0.1163	0.1094	0.1025	0.0955	0.0886	0.0817
4	0.0964	0.0895	0.0826	0.0756	0.0687	0.0618
5	0.0283	0.0257	0.0232	0.0206	0.0181	0.0155
10	0.0184	0.0161	0.0139	0.0117	0.0095	0.0073
15	0.0120	0.0102	0.0083	0.0064	0.0046	0.0027
20	0.0073	0.0057	0.0041	0.0025	0.0009	0.0002
25	0.0034	0.0022	0.0009	0.0002	0.0002	0.0002
30	0.0010	0.0002	0.0002	0.0002	0.0002	0.0002

Public Agency Safety

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

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

Termination with Vested Benefits

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

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0482	0.0439	0.0395	0.0351	0.0307
10	0.0390	0.0343	0.0296	0.0249	0.0000
15	0.0326	0.0274	0.0224	0.0000	0.0000
20	0.0245	0.0192	0.0000	0.0000	0.0000
25	0.0156	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0187	0.0265
10	0.0061	0.0145	0.0204
15	0.0058	0.0094	0.0130
20	0.0053	0.0075	0.0074
25	0.0047	0.0067	0.0043
30	0.0045	0.0064	0.0030
35	0.0000	0.0000	0.0000

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

Non-Industrial (Not Job-Related) Disability

Rates vary by age.

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

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

Industrial (Job-Related) Disability

Rates vary by age.

Age	Fire	Police	County Peace Officer
20	0.0002	0.0006	0.0002
25	0.0010	0.0028	0.0012
30	0.0021	0.0056	0.0025
35	0.0031	0.0084	0.0037
40	0.0041	0.0112	0.0050
45	0.0051	0.0140	0.0062
50	0.0062	0.0167	0.0075
55	0.0601	0.0581	0.0128
60	0.0601	0.0581	0.0128

- The Police Industrial Disability rates are used for Local Sheriff and Other Safety.
- Fifty Percent of the Police Industrial Disability rates are used for School Police.
- One Percent of the Police Industrial Disability rates are used for Local Prosecutors.
- Normally, rates are zero for miscellaneous plans unless the agency has specifically contracted for Industrial Disability benefits. If so, each miscellaneous non-industrial disability rate will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the industrial disability rate.

Service Retirement

Public Agency Miscellaneous 2% @ 60

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

Public Agency Miscellaneous 2% @ 55

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

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

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

Public Agency Fire ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.01588	56	0.11079
51	0.00000	57	0.00000
52	0.03442	58	0.09499
53	0.01990	59	0.04409
54	0.04132	60	1.00000
55	0.07513		

Public Agency Police ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.02552	56	0.06921
51	0.00000	57	0.05113
52	0.01637	58	0.07241
53	0.02717	59	0.07043
54	0.00949	60	1.00000
55	0.16674		

Public Agency Police 2%@ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
51	0.0123	0.0123	0.0123	0.0123	0.0226	0.0402
52	0.0262	0.0262	0.0262	0.0262	0.0480	0.0855
53	0.0523	0.0523	0.0523	0.0523	0.0957	0.1706
54	0.0697	0.0697	0.0697	0.0697	0.1275	0.2274
55	0.0899	0.0899	0.0899	0.0899	0.1645	0.2932
56	0.0638	0.0638	0.0638	0.0638	0.1166	0.2079
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318
58	0.0628	0.0628	0.0628	0.0628	0.1149	0.2049
59	0.1396	0.1396	0.1396	0.1396	0.1735	0.2544
60	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
61	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
62	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
63	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
64	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

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

Public Agency Fire 2%@50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0081	0.0081	0.0081	0.0081	0.0125	0.0187
52	0.0173	0.0173	0.0173	0.0173	0.0267	0.0400
53	0.0465	0.0465	0.0465	0.0465	0.0716	0.1072
54	0.0638	0.0638	0.0638	0.0638	0.0983	0.1471
55	0.0868	0.0868	0.0868	0.0868	0.1336	0.2000
56	0.0779	0.0779	0.0779	0.0779	0.1200	0.1796
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.2077
58	0.0790	0.0790	0.0790	0.0790	0.1217	0.1821
59	0.0729	0.0729	0.0729	0.0729	0.1123	0.1681
60	0.1135	0.1135	0.1135	0.1135	0.1747	0.2615
61	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
62	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
63	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
64	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Public Agency Police 3% @ 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0193	0.0193	0.0193	0.0193	0.0397	0.0600
51	0.0157	0.0157	0.0157	0.0157	0.0324	0.0491
52	0.0163	0.0163	0.0163	0.0163	0.0337	0.0510
53	0.0587	0.0587	0.0587	0.0587	0.1208	0.1829
54	0.0691	0.0691	0.0691	0.0691	0.1422	0.2154
55	0.1164	0.1164	0.1164	0.1164	0.2397	0.3630
56	0.0756	0.0756	0.0756	0.0756	0.1556	0.2357
57	0.0581	0.0581	0.0581	0.0581	0.1196	0.1812
58	0.0508	0.0508	0.0508	0.0508	0.1045	0.1583
59	0.0625	0.0625	0.0625	0.0625	0.1287	0.1949
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

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

Public Agency Fire 3% @ 55

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

Public Agency Police 3% @ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0435	0.0435	0.0435	0.0821	0.1208	0.1559
51	0.0385	0.0385	0.0385	0.0728	0.1071	0.1382
52	0.0614	0.0614	0.0614	0.1159	0.1705	0.2200
53	0.0689	0.0689	0.0689	0.1303	0.1916	0.2472
54	0.0710	0.0710	0.0710	0.1342	0.1974	0.2547
55	0.0898	0.0898	0.0898	0.1698	0.2497	0.3222
56	0.0687	0.0687	0.0687	0.1299	0.1910	0.2465
57	0.0803	0.0803	0.0803	0.1518	0.2232	0.2880
58	0.0791	0.0791	0.0791	0.1495	0.2198	0.2837
59	0.0820	0.0820	0.0820	0.1549	0.2279	0.2940
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

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

Public Agency Fire 3% @ 50

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

Appendix B

SUMMARY OF PRINCIPAL PLAN PROVISIONS

SUMMARY OF BENEFITS: COVERAGE GROUP 74001

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 **3% at 50** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	3% at 50 Factor
50	3.000%
51	3.000%
52	3.000%
53	3.000%
54	3.000%
55 & Up	3.000%

- 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 capped at 90% of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status

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

Eligibility to Start Receiving Benefits

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

Benefit

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

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility

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

Industrial (Job-Related) Disability Retirement

Eligibility

An employee is eligible for Industrial Disability Retirement if he or she becomes *disabled* while working, where *disabled* means the member is unable to perform the duties of the job because of a work-related illness or injury which is expected to be permanent or to last indefinitely. A CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described in the next paragraph.

Benefit

The Industrial Disability Retirement benefit is a mouthly allowance equal to 50% of final compensation. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of the accumulated member contributions with respect to employment in this group.

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.

For retirement allowances with respect to service earned by employment in this group, 50% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, *without* a reduction in the retiree's allowance. This additional benefit is often referred to as *post retirement survivor allowance* (PRSA) or simply as *survivor continuance.*

In other words, 50% of the allowance, the *continuance portion*, is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried children until they attain age 18; or, if no eligible children, to a qualifying dependent parent) for the rest of his or her lifetime.

The remaining portion of the retirement allowance, which may be referred to as the *option portion* of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this *option portion* to be paid to any designated beneficiary after the retiree's death. CalPERS offers a variety of such benefit options, which the retiree pays for by taking a reduction to the option portion of his or her retirement 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 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

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.

Special Death Benefit

Eligibility
An employee's *eligible survivor(s)* may receive the Special Death benefit if the member dies while actively employed and the death is job-related. A CalPERS member 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 prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 22. An eligible survivor who chooses to receive this benefit will not receive any other death benefit.

Benefit
The Special Death benefit is a monthly allowance equal to 50% of final compensation. The deceased member's final compensation will increase correspondingly, at any time the compensation is increased for then-active members employed in the job classification applicable to the deceased member at the time of injury causing death. These increases will apply until the earlier of (1) the death of the surviving spouse or (2) the date the deceased member would have attained age 50. The allowance is payable to the surviving spouse until death, at which time the allowance is continued to any unmarried children under age 22. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit if applicable.

If the member's death is the result of an accident or injury caused by external violence or physical force incurred in the performance of the member's duty, and there are *eligible* surviving children (*eligible* means unmarried children under age 22) in addition to an eligible spouse, then an **additional monthly allowance** is paid equal to the following:

- if 1eligible child: 12.5% of final compensation
- if 2 eligible children: 20.0% of final compensation
- if 3 or more eligible children: 25.0% of final compensation

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 9%.

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.

SUMMARY OF BENEFITS: COVERAGE GROUP 75001

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 **3% at 50** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	3% at 50 Factor
50	3.000%
51	3.000%
52	3.000%
53	3.000%
54	3.000%
55 & Up	3.000%

- 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 capped at 90% of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status

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

Eligibility to Start Receiving Benefits

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

Industrial (Job-Related) Disability Retirement

Eligibility

An employee is eligible for Industrial Disability Retirement if he or she becomes *disabled* while working, where *disabled* means the member is unable to perform the duties of the job because of a work-related illness or injury which is expected to be permanent or to last indefinitely. A CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described in the next paragraph.

Benefit
The Industrial Disability Retirement benefit is a monthly allowance equal to 50% of final compensation. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of the accumulated member contributions with respect to employment in this group.

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.

For retirement allowances with respect to service earned by employment in this group, 50% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, *without* a reduction in the retiree's allowance. This additional benefit is often referred to as *post retirement survivor allowance* (PRSA) or simply as *survivor continuance*.

In other words, 50% of the allowance, the *continuance portion*, is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried children until they attain age 18; or, if no eligible children, to a qualifying dependent parent) for the rest of his or her lifetime.

The remaining portion of the retirement allowance, which may be referred to as the *option portion* of the benefit, is paid to the retiree as an annuity for as long as be or she is alive. Or, the retiree may choose to provide for some of this *option portion* to be paid to any designated beneficiary after the retiree's death. CalPERS offers a variety of such benefit options, which the retiree pays for by taking a reduction to the option portion of his or her retirement 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 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

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.

Special Death Benefit

Eligibility

An employee's *eligible survivor(s)* may receive the Special Death benefit if the member dies while actively employed and the death is job-related. A CalPERS member 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 prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 22. An eligible survivor who chooses to receive this benefit will not receive any other death benefit.

Benefit

The Special Death benefit is a monthly allowance equal to 50% of final compensation. The deceased member's final compensation will increase correspondingly, at any time the compensation is increased for then-active members employed in the job classification applicable to the deceased member at the time of injury causing death. These increases will apply until the earlier of (1) the death of the surviving spouse or (2) the date the deceased member would have attained age 50. The allowance is payable to the surviving spouse until death, at which time the allowance is continued to any unmarried children under age 22. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit if applicable.

If the member's death is the result of an accident or injury caused by external violence or physical force incurred in the performance of the member's duty, and there are *eligible* surviving children (*eligible* means unmarried children under age 22) in addition to an eligible spouse, then an **additional monthly allowance** is paid equal to the following:

- if 1eligible child: 12.5% of final compensation
- if 2 eligible children: 20.0% of final compensation
- if 3 or more eligible children: 25.0% of final compensation

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 9%.

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

SAFETY PLAN of the CITY OF CHICO
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, 2005 to June 30, 2006 has been determined by an actuarial valuation of the plan as of June 30, 2003. The contribution rate for the indicated period is 28.166% 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, 2006, 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, 2005 to June 30, 2006. The employer and the employer's auditor are responsible for determining the NPO and the APC.

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

	Retirement Program	***1959 Survivor Program***
Valuation Date	June 30, 2003	N/A
Actuarial Cost Method	Entry Age Actuarial Cost Method	N/A
Amortization Method	Level Percent of Payroll	N/A
Average Remaining Period	18 Years as of the Valuation Date	N/A
Asset Valuation Method	3 Year Smoothed Market	N/A
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	N/A
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment	N/A
Inflation	3.00%	N/A
Payroll Growth	3.25%	N/A
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.	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)
6/30/01	$ 58,185,820	$ 56,279,040	$ 1,906,780	96.7%	$ 7,947,946	24.0%
6/30/02	$ 62,908,260	$ 53,939,304	$ 8,968,956	85.7%	$ 8,569,635	104.7%
6/30/03	$ 68,945,613	$ 57,061,751	$ 11,883,862	82.8%	$ 10,165,028	116.9%

1959 Survivor Program

6/30/01	$ N/A	$ N/A	$ N/A	N/A	$ N/A	N/A
6/30/02	$ N/A	$ N/A	$ N/A	N/A	$ N/A	N/A
6/30/03	$ N/A	$ N/A	$ N/A	N/A	$ N/A	N/A

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, 2003 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, 2003	$	24,577,053
2.	Actuarial Value of Assets as at June 30, 2003		72,718,413
3.	Unfunded Liability / (Excess Assets) as of June 30, 2003 [(1) – (2)]	$	(48,141,360)
4.	Funded Status		295.9%
5.	Employer Normal Cost Per member per month, fiscal year 2004/2005	$	0.60
6.	Total Employer Cost per member per month, fiscal year 2004/2005*	$	0.00

1959 Survivor Benefit Program (Fourth Level Pool)

1.	Actuarial Accrued Liability as of June 30, 2003	$	79,403,632
2.	Actuarial Value of Assets as at June 30, 2003		110,386,236
3.	Unfunded Liability / (Excess Assets) as of June 30, 2003 [(1) – (2)]	$	(30,982,604)
4.	Funded Status		139.0%
5.	Employer Normal Cost Per member per month, fiscal year 2004/2005	$	5.10
6.	Total Employer Cost per member per month, fiscal year 2004/2005*	$	0.00

1959 Survivor Benefit Program (Indexed Level Pool)

1.	Actuarial Accrued Liability as of June 30, 2003	$	5,445,768
2.	Actuarial Value of Assets as at June 30, 2003		10,271,859
3.	Unfunded Liability / (Excess Assets) as of June 30, 2003 [(1) – (2)]	$	(4,826,091)
4.	Funded Status		188.6%
5.	Employer Normal Cost Per member per month, fiscal year 2004/2005	$	4.30
6.	Total Employer Cost per member per month, fiscal year 2004/2005*	$	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 I, 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. For calendar year 2004, the respective benefits are $1,623, $1,082, and $541.

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.