MEETING DATE: 01/08/07

AGENDA ITEM: Consideration of Adoption of an Urgency Ordinance Amending the Contract between PERS and the City of Culver City to Implement One-Year Final Compensation for Culver City Management Group (CCMG) and Culver City Employees' Association (CCEA) Unit Employees

ATTACHMENTS

ORDINANCE NO. 2007-

AN URGENCY ORDINANCE OF THE CITY OF CULVER CITY, CALIFORNIA, AUTHORIZING AMENDMENT TO THE CONTRACT BETWEEN THE CITY OF CULVER CITY AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Local Miscellaneous Members)

WHEREAS, implementation of the contract amendment was delayed due to protracted negotiations of the Memorandums of Understanding with the Culver City Employees' Association ("CCEA") and the Culver City Management Group ("CCMG") and subsequent administrative procedures that were necessary for such implementation; and

WHEREAS, adoption of an urgency ordinance is necessary to comply with the requirements of the recently adopted Memorandums of Understanding with the CCEA and CCMG; and, for the preservation of the public health, safety or welfare.

NOW, THEREFORE, the City Council of the City of Culver City, California, DOES HEREBY ORDAIN as follows:

SECTION 1. That an amendment to the contract between the City Council of the City of Culver City and the Board of Administration of the California Public Employees' Retirement System is hereby authorized, effective January 22, 2007, a copy of said amendment being attached hereto, marked Exhibit "A", and by such reference made a part hereof as though herein set forth in full.

SECTION 2. The City Council of the City of Culver City is hereby authorized, empowered, and directed to execute said amendment on behalf of the City of Culver City.

SECTION 3. Pursuant to Section 614 of the City Charter, and the reasons set forth above, this Ordinance shall take effect January 9, 2007. Pursuant to Sections

616 and 621 of the City Charter, prior to the expiration of fifteen (15) days after its adoption, the City Clerk shall cause this Ordinance, or a summary thereof, to be published in the Culver City News and shall post this Ordinance or a summary thereof in at least three places within the City.

APPROVED and ADOPTED this 8th day of January, 2007.

GARY SILBIGER, Mayor
City of Culver City, California

ATTEST:

CHRISTOPHER ARMENTA,
City Clerk
A06-00732

APPROVED AS TO FORM:

CAROL A. SCHWAB,
City Attorney

CalPERS

EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

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

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective August 1, 1945, and witnessed August 9, 1945, and as amended effective October 1, 1947, November 1, 1951, June 1, 1954, January 1, 1960, July 1, 1960, June 1, 1963, December 4, 1967, January 1, 1972, January 1, 1973, August 1, 1973, September 28, 1973, July 4, 1977, October 20, 1980, June 29, 1981, October 14, 1992, July 14, 1994, August 12, 1997, July 6, 1998, November 5, 1999, November 20, 2000, June 17, 2002, July 1, 2002 and June 28, 2004 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

A. Paragraphs 1 through 15 are hereby stricken from said contract as executed effective June 28, 2004, and hereby replaced by the following paragraphs numbered 1 through 15 inclusive:

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

PLEASE DO NOT SIGN "EXHIBIT ONLY"

2. Public Agency shall participate in the Public Employees' Retirement System from and after August 1, 1945 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

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

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

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

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

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

   a. **AUDITORIUM HELPERS; CROSSING GUARDS; RECREATION LEADERS; LIFEGUARDS; LOCKER ROOM ATTENDANTS; AND CASHIERS HIRED ON OR AFTER AUGUST 2, 1973.**

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

6. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment before and not on or after July 1, 2002 shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1956, the effective date of Social Security coverage, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).

PLEASE DO NOT SIGN "EXHIBIT ONLY"

7. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment on or after July 1, 2002 shall be determined in accordance with Section 21354.4 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1956, the effective date of Social Security coverage, for members whose service has been included in Federal Social Security (2.5% at age 55 Full and Modified).

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

9. The percentage of final compensation to be provided for each year of credited prior and current service as a local fire member shall be determined in accordance with Section 21363.1 of said Retirement Law (3% at age 55 Full).

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

    a. Section 21571 (Basic Level of 1959 Survivor Benefits) for local miscellaneous members only.

    b. Section 20425 ("Local Police Officer" shall include employees of a police department who were employed to perform identification or communication duties on August 4, 1972 and who elected to be local safety members).

    c. Sections 21624 and 21626 (Post-Retirement Survivor Allowance) for local safety members only.

    d. Section 21317 (One-Time 15% Increase for Certain Local Safety Members Who Retired for Service Retirement). Legislation repealed said Section effective January 1, 2002.

    e. Section 21319 (One-Time 15% Increase for Local Miscellaneous Members Who Retired or Died Prior to July 1, 1971). Legislation repealed said Section effective January 1, 2002.

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

    g. Section 21548 (Pre-Retirement Optional Settlement 2 Death Benefit).

h. Section 21574 (Fourth Level of 1959 Survivor Benefits) for local safety members only.

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

j. Section 21024 (Military Service Credit as Public Service).

11. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on October 20, 1980. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.

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

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

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

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

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

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

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

B. This amendment shall be effective on the _____ day of _______________, ______.

BOARD OF ADMINISTRATION PUBLIC EMPLOYEES' RETIREMENT SYSTEM	CITY COUNCIL CITY OF CULVER CITY
BY______________________________ LORI MCGARTLAND, CHIEF EMPLOYER SERVICES DIVISION PUBLIC EMPLOYEES' RETIREMENT SYSTEM	BY______________________________ PRESIDING OFFICER
	______________________________ Witness Date
	Attest: ______________________________ Clerk

PLEASE DO NOT SIGN "EXHIBIT ONLY"

DO NOT SIGN "EXHIBIT ONLY"

AMENDMENT ER# 88
PERS-CON-702A (Rev. 10\05)

RESOLUTION NO. 2006-R091

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CULVER CITY, CALIFORNIA, INTENDING TO APPROVE AN AMENDMENT TO CONTRACT BETWEEN THE BOARD OF ADMINISTRATION CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF CULVER CITY (Local Miscellaneous Members)

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 20042 (One-Year Final Compensation) for local miscellaneous members.

NOW, THEREFORE, the City Council of the City of Culver City, California, DOES HEREBY RESOLVE as follows:

1. That the City Council of the City of Culver City does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said

...

...

...

8

amendment being attached hereto, as Exhibit "A", and by this reference made a part hereof.

APPROVED and ADOPTED this 18th day of December 2006.

Gary Silbiger

GARY SILBIGER, MAYOR
City of Culver City, California

ATTEST:

for Cheryl Moore

CHRISTOPHER ARMENTA, City Clerk
A06-00732

APPROVED AS TO FORM:

for

CAROL A. SCHWAB, City Attorney

I HEREBY CERTIFY THIS DOCUMENT TO BE A TRUE AND CORRECT COPY OF THE ORIGINAL.

Cheryl Moore

CITY CLERK'S OFFICE
CITY OF CULVER CITY, CALIF.

9

CalPERS

EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

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

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective August 1, 1945, and witnessed August 9, 1945, and as amended effective October 1, 1947, November 1, 1951, June 1, 1954, January 1, 1960, July 1, 1960, June 1, 1963, December 4, 1967, January 1, 1972, January 1, 1973, August 1, 1973, September 28, 1973, July 4, 1977, October 20, 1980, June 29, 1981, October 14, 1992, July 14, 1994, August 12, 1997, July 6, 1998, November 5, 1999, November 20, 2000, June 17, 2002, July 1, 2002 and June 28, 2004 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

A. Paragraphs 1 through 15 are hereby stricken from said contract as executed effective June 28, 2004, and hereby replaced by the following paragraphs numbered 1 through 15 inclusive:

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

PLEASE DO NOT SIGN "EXHIBIT ONLY"

2. Public Agency shall participate in the Public Employees' Retirement System from and after August 1, 1945 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

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

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

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

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

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

   a. **AUDITORIUM HELPERS; CROSSING GUARDS; RECREATION LEADERS; LIFEGUARDS; LOCKER ROOM ATTENDANTS; AND CASHIERS HIRED ON OR AFTER AUGUST 2, 1973.**

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

6. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment before and not on or after July 1, 2002 shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1956, the effective date of Social Security coverage, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).

7. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment on or after July 1, 2002 shall be determined in accordance with Section 21354.4 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1956, the effective date of Social Security coverage, for members whose service has been included in Federal Social Security (2.5% at age 55 Full and Modified).

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

9. The percentage of final compensation to be provided for each year of credited prior and current service as a local fire member shall be determined in accordance with Section 21363.1 of said Retirement Law (3% at age 55 Full).

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

    a. Section 21571 (Basic Level of 1959 Survivor Benefits) for local miscellaneous members only.

    b. Section 20425 ("Local Police Officer" shall include employees of a police department who were employed to perform identification or communication duties on August 4, 1972 and who elected to be local safety members).

    c. Sections 21624 and 21626 (Post-Retirement Survivor Allowance) for local safety members only.

    d. Section 21317 (One-Time 15% Increase for Certain Local Safety Members Who Retired for Service Retirement). Legislation repealed said Section effective January 1, 2002.

    e. Section 21319 (One-Time 15% Increase for Local Miscellaneous Members Who Retired or Died Prior to July 1, 1971). Legislation repealed said Section effective January 1, 2002.

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

    g. Section 21548 (Pre-Retirement Optional Settlement 2 Death Benefit).

h. Section 21574 (Fourth Level of 1959 Survivor Benefits) for local safety members only.

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

j. Section 21024 (Military Service Credit as Public Service).

11. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on October 20, 1980. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.

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

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

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

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

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

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

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

B. This amendment shall be effective on the _____ day of _______________, _______.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY____________________________________
LORI MCCARTLAND, CHIEF
EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CITY COUNCIL
CITY OF CULVER CITY

BY____________________________________
PRESIDING OFFICER

____
Witness Date

Attest:

____
Clerk

PLEASE DO NOT SIGN "EXHIBIT ONLY"

DO NOT SIGN "EXHIBIT ONLY"

Employer Number: 88
Benefit Description: Section 20042, One-Year Final Compensation

Actuarial Cost Estimates in General

What will this amendment cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer:

- First, all actuarial calculations, including the ones in this cost estimate are based on a lot of assumptions about the future – demographic assumptions about the percentage of your employees that will terminate, die, become disabled, and retire in each future year, and economic assumptions about what salary increases each employee receives and the most important assumption: what the assets at CalPERS will earn for each year into the future until the last dollar is paid to current members of your plan. While CalPERS has set these assumptions as our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized each year as we go forward. For example, the asset earnings for the past 15 years at CalPERS have ranged from -7.2% to 20.1%, yet the 15 year compound return has been 9.7%, well above our assumption.

- Second, the very nature of actuarial funding produces the answer to the question of amendment cost as the sum of two separate pieces:

  1. The increase in Normal Cost (i.e., the increase in future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll, and

  2. The increase in Past Service Cost (i.e., Accrued Liability – representing the current value of the increased benefit for all past service of current members) which is expressed as a lump sum dollar amount.

- The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the increase in Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the result is called the increase in the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the result is the increase in the employer's rate). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period. So, the new employer rate can be computed in many different ways depending on how long one will take to pay for it. And don't forget the first bullet point above; all of these results depends on all of the assumptions being exactly realized.

Rate Volatility

As is stated above, the cost estimates supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Even if these assumptions are exactly realized (terminations, deaths, disabilities, retirements, salary growth, and investment return) there will be differences on a year to year basis. This year to year difference between actual experience and the assumptions is called gains and losses and serve to raise or lower the employer's rates from year to year. So, the rates will bounce around, especially due to the ups and downs of investment returns.

The volatility in annual employer rates may be affected by this amendment. The reason is that higher benefits and earlier retirement ages require the accumulation of more assets per member earlier in their career. Rate volatility can be measured by the ratio of plan assets to active member payroll. Higher asset to payroll ratios produce more volatile employer rates. To see this, consider two plans, one with assets that are 4 times active member payroll, and the other with assets that are 8 times active member payroll. In a given year, see what happens when assets rise or fall 10% above or below the actuarial assumption. For the plan with a ratio of 4, this 10 percent gain or loss in assets is the same in dollars as 40% of payroll; and for the plan with a ratio of 8, this is equivalent to 80% of payroll. If this gain or loss is spread over 20 years (and we oversimplify by ignoring interest on the gain or loss), then the first plan's rate changes by 2% of pay while the second plan's rate changes by 4% of pay.

A plan with assets exactly equal to the plan's accrued liability is simply "on schedule" in funding that plan, and only future employee contributions and future employer normal costs are needed. A plan with assets below the accrued liability is "behind schedule", or is said to have an *unfunded liability*, and must temporarily increase contributions to get back on schedule. A plan with assets in excess of the plan's accrued liability is "ahead of schedule", or is said to have *excess assets*, and can temporarily reduce future contributions. A plan with assets (AVA) in excess of the total present value of benefits is called *super-funded*, and neither future employer nor employee contributions are required. Of course, events such as plan amendments and investment or demographic gains or losses can change a plan's condition from year to year. For example, a plan amendment could cause a plan to move all the way from being super-funded to being in an unfunded position.

The changes in your plan's accrued liability, unfunded accrued liability, and the funded ratio as of June 30, 2005 due to the plan amendment are shown in the table below.

As of June 30, 2005	Current Plan	Post-Amendment
Entry Age Normal Accrued Liability (AL)	$ 126,596,923	$ 128,838,155
Actuarial Value of Assets (AVA)	115,367,080	115,367,080
Unfunded Liability/(Excess Assets) (UAL = AL – AVA)	$ 11,229,843	$ 13,471,075
Funded Ratio (AVA / AL)	91.1%	89.5%
Change to AL		2,241,232

Total Employer Contribution Rate

While the table above gives the changes in the accrued liability and funded status of the plan due to the amendment, there remains the question of what will happen to the employer contribution rate because of the change in plan provisions.

CalPERS policy is to implement rate changes due to plan amendments immediately on the effective date of the change in plan benefits. This change is displayed as the "Change to Total Employer Rate" on the following page. If the contract amendment effective date is on or before June 30, 2007, the change in the employer contribution rate should be added to the employer's current rate. In general, the policy also provides that the change in unfunded liability due to the plan amendment will be separately amortized over a period of 20 years from the effective date of the amendment and all other components of the plan's unfunded liability/excess assets will continue to be amortized separately.

However, your actuary may choose to apply different rules to plans with a current employer contribution rate of zero. The pre-amendment excess assets in these plans were sufficient to cover the employer's normal cost for one or more years into the future. A plan amendment will use up some or all of the pre-amendment excess assets. In order to maintain our goal of providing rates that are relatively stable, while taking into account known or expected future events, your actuary may decide to spread any remaining excess assets over a single number of years. This is known as a "fresh start" and will, in no case, be less than 5 years. You may call your actuary to discuss further alternative financing options. If the amendment uses up all excess assets and creates an unfunded liability (i.e., from being ahead of schedule to behind schedule), the total post-amendment unfunded liability may be amortized over 20 years.

In no case may the annual contribution with regard to a positive unfunded liability be less than the amount which would be required to amortize that unfunded liability, as a level percent of pay, over 30 years. The table on the following page shows the change in your plan's employer contribution rate due to the plan amendment for fiscal year 2007-2008.

Employer Number: 88
Benefit Description: Section 20042, One-Year Final Compensation

Disclosure

If your agency is requesting cost information for two or more benefit changes, the cost of adopting more than one of these changes **may not** be obtained by adding the individual costs. Instead, a separate valuation must be done to provide a cost analysis for the combination of benefit changes. If the proposed plan amendment applies to only some of the employees in the plan, the rate change due to the plan amendment still applies to the entire plan, and is still based on the total plan payroll.

Any mandated benefit improvements not included in the June 30, 2005 annual valuation have not been incorporated into this cost analysis.

Please note that the cost analysis provided in this document **may not** be relied upon after August 1, 2007. If you have not taken action to amend your contract, by this date, you must contact our office for an updated cost analysis, based on the new annual valuation.

Descriptions of the actuarial methodologies, actuarial assumptions, and plan benefit provisions may be found in the appendices of the June 30, 2005 annual report. Please note that the results shown here are subject to change if any of the data or plan provisions change from what was used in this study.

Certification

This actuarial valuation for the proposed plan amendment is based on the participant, benefits, and asset data used in the June 30, 2005 annual valuation, with the benefits modified if necessary to reflect what is currently provided under your contract with CalPERS, and further modified to reflect the proposed plan amendment. The valuation has been performed in accordance with standards of practice prescribed by the Actuarial Standards Board, and 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.

Kung-pei Hwang

Kung-pei Hwang, A.S.A., M.A.A.A.
Senior Pension Actuary, CalPERS

Fin Process Ids: Annual-273985 Base-281867 Proposal-281868

Employer Number: 88
Benefit Description: Section 20042, One-Year Final Compensation

COVERAGE GROUP 70002

Pre-Amendment

- The final compensation is calculated as the monthly average of the member's highest 36 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation).

Post-Amendment

- The final compensation is calculated as the monthly average of the member's highest 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation).

Employer Number: 88
Benefit Description: Section 20042, One-Year Final Compensation

COVERAGE GROUP 70004

Pre-Amendment

- The final compensation is calculated as the monthly average of the member's highest 36 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation).

Post-Amendment

- The final compensation is calculated as the monthly average of the member's highest 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation).