ITEM 9.B.

MOORPARK CITY COUNCIL
AGENDA REPORT

TO: Honorable City Council

FROM: Ron Ahlers, Finance Director

DATE: December 31, 2014 (City Council Meeting of January 21, 2015)

SUBJECT: Consider Resolution Amending the Fiscal Year 2014-15 Budget to Appropriate Funding to Pay Down the City's California Public Employee Retirement System (CalPERS) Pension Plan Unfunded Liability

BACKGROUND

The City contracts with the California Public Employees Retirement System (CalPERS) to provide pension benefits to City employees. CalPERS recently released the actuarial report for June 30, 2013 for the City of Moorpark. The report details the City's unfunded liability for pensions at $4,486,070. Staff contacted the actuary at CalPERS to discuss paying off the unfunded liability. Due to the large investment return in fiscal year (FY) 2013-14 and actuarial assumption changes at CalPERS, the actuary calculated the current unfunded liability to be about $3.6 million for the City. Staff is requesting the City Council consider paying down the unfunded liability in the pension system by making a contribution of $3.6 million to CalPERS.

The City's pension plan is currently funded at 81%. By way of comparison, the table below shows the funded status of other government plans as of June 30, 2013.

CalPERS		Camarillo	71 %
State of CA	66 %	Fillmore	77 %
Public Agencies	71 %	Moorpark	81 %
School Districts	76 %	Oxnard	76 %
		Port Hueneme	74 %
		Santa Paula	72 %
		Simi Valley	72 %
		Thousand Oaks	75 %
Ventura County	79 %	Ventura	79 %

DISCUSSION

CalPERS has changed how they will collect the pension contributions beginning in FY 2015-16. The employee pension contribution remains at 7% of pay for "classic" members. The employer rate for FY 2015-16 is split into two parts: normal cost, expressed as a percentage of pay; and unfunded liability, expressed as a dollar amount. In total, the pension contribution will experience an increase of less than 0.7% of pay. The FY 2014-15 employer rate is 11.032% of pay, while for FY 2015-16 the rate is estimated to be 11.706% (my computation). The City's "pensionable compensation" is approximately $5.1 million; therefore the City expects to pay $596,987 for FY 2015-16; an increase of about $34,000 from FY 2014-15. The increase for the General Fund is about $25,000 while other funds are $9,000.

Funded Status
As of June 30, 2013, the funded status of the City's pension plan using the market value of assets is 81%. The normal accrued liability is $23.7 million; market value of assets is $19.2 million; therefore an unfunded liability of $4.5 million. Ideally, the plan should be 100% funded. The recent changes in funding mechanisms at CalPERS should move us forward to 100% funding, albeit in 30 years. As discussed later in this report, staff is recommending that the current unfunded liability be paid off using reserve funds.

Employer Normal Cost
The employer normal cost has increased by 0.179% of pay, from 7.824% in FY 2014-15 to 8.003% for FY 2015-16. CalPERS expects the normal cost to increase to 8.3% in FY 2016-17 and remain at 8.3% for the ensuing five years. The City cannot prepay the normal cost contributions. CalPERS now requires the City to pay the normal cost with each payroll. This has been our practice for the past four years.

Unfunded Liability
The total unfunded liability for the City's pension plan is $4,486,070 as of June 30, 2013. The FY 2015-16 CalPERS required minimum contribution to pay down this unfunded liability is expressed as a dollar amount and not as a percentage of pay. The minimum contribution amount is $188,834, payable in equal installments of $15,736 each payday. The City has the option to prepay the unfunded liability contribution amount at $182,128 in July 2015; saving $6,706 in FY 2015-16. CalPERS now requires the City to pay the unfunded liability in dollars, not as a percent of pay.

Changes since the June 30, 2013 actuarial report
CalPERS recorded investment earnings of 18.4% in FY 2013-14; therefore the unfunded liability has decreased since June 30, 2013 since the actual investment returns of 18.4% is greater than the assumption of 7.5%.

In FY 2016-17, CalPERS will implement the new mortality rates which will increase the unfunded liability substantially. The new mortality table reflects that both males and females are living longer lives and that our lifespans are actually increasing with each succeeding generation. The CalPERS pension is paid every month for the lifetime of the employee and the spouse.

Even if the current unfunded liability is paid, the City could have an unfunded liability in the future based on unknown and unpredictable events such as: CalPERS investment losses, changes in demographic assumptions, changes in City employee demographics and other events.

Staff requested the City's actuary at CalPERS to calculate a current updated figure for the unfunded liability. The CalPERS board made a significant change in the pooling structures this past year. The City belongs to the "miscellaneous pool"; which is composed of all public agencies with less than 100 non-safety employees. The City can now pay off this unfunded liability in full or in part. For example, the City could pay CalPERS the total unfunded liability of $4,486,070 based on the June 30, 2013 valuation. However, much has transpired since June 2013 and we need to factor in the investment gains and the mortality assumption changes. The CalPERS actuary has performed those calculations. The investment gain for FY 2013-14 is about $2.1 million. The mortality assumption change is about a $1.1 million loss. There were also other gains and losses which reduced the unfunded liability to $3,673,000. The CalPERS actuary states that this is a "rough" estimate. Because of the eighteen month lag between the actuarial valuation date (June 30, 2013) and the contributions, the CalPERS actuary made the following suggestion: pay $3,600,000 now. This will lower the unfunded liability contribution for FY 2015-16 from $188,834 to about $37,000. The $37,000 can be fully paid in July 2015. These two payments should effectively pay off the entire, current unfunded liability to CalPERS.

The table below shows the unfunded liability contributions required by CalPERS over the next six years (page 18 of actuarial report). If the City completely pays off the unfunded liability, then the City will not have to pay these unfunded liability contributions in the future. Over the next six years the City would save $1,682,049. The General Fund savings is about $1,262,000 and all the other funds is about $420,000. The return calculation is based on the City paying off the total unfunded liability of $3,600,000.

	Unfunded Liability Contributions		Return	
Year	Annual	Cumulative	Annual	Cumulative
2015-16	$ 151,834	$ 151,834	4.2 %	4.2 %
2016-17	$ 227,920	$ 379,754	6.3 %	10.5 %
2017-18	$ 269,183	$ 648,937	7.5 %	18.0 %
2018-19	$ 312,716	$ 961,653	8.7 %	26.7 %
2019-20	$ 358,619	$ 1,320,272	10.0 %	36.7 %
2020-21	$ 361,777	$ 1,682,049	10.0 %	46.7 %

Note: Assumes CalPERS meets all their actuarial and investment assumptions.

RISK

The main risk to the payoff is the investment return assumption by CalPERS of 7.5%. So, staff feels confident any future unfunded liabilities would be demographic. With the contribution of $3,600,000, plus investment earnings, the City's market value of assets is estimated to increase to $29.2 million as of June 30, 2015. If there is a significant decrease in the investment markets, similar to 2007-09, then the City could be facing the same unfunded liability in the millions of dollars in the future. However, the City is currently earning 1.5% on the investment portfolio, which is significantly less than that earned by CalPERS, once CalPERS investment structure have been revised.

PEPRA

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires all "new" employees to contribute one-half of the normal costs. The City currently has two "new" employees, who currently contribute 6.25% of pay. The City contributes 6.25%, which equates to a total contribution of 12.5%. There is no unfunded liability for the City's "new" employees.

Conclusion

Each year CalPERS will produce an actuarial report for the City's pension plan. The report will show either a shortfall (unfunded liability) or a surplus (excess reserves). Each year the City can decide to pay off any unfunded liability, if one develops.

FISCAL IMPACT

The $3,600,000 in appropriation will pay down the City's pension plan unfunded liability. The cost to the General Fund is $2,892,546; which would entail a transfer from the Special Projects Fund. This is about 11% of the current Special Projects Fund balance. The cost to the other funds is $707,454. The City can contribute about $37,000 in FY 2015-16 to eliminate the remaining unfunded liability.

The savings to the budget in FY 2015-16 is about $114,000 for the General Fund and $38,000 for all other funds. Total savings of about $152,000 in FY 2015-16. Over the next six years the General Fund projected savings is about $1,262,000 and all the other funds is about $420,000.

STAFF RECOMMENDATION **(Roll Call Vote)**

Adopt Resolution No. 2015 - _________.

Attachment:

1. Resolution No. 2015-
2. CalPERS ~ Miscellaneous Plan of the City of Moorpark, Annual Valuation Report as of June 30, 2013

Attachment 1

RESOLUTION NO. 2015 - _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, AMENDING THE FISCAL YEAR 2014-15 BUDGET TO APPROVE CERTAIN APPROPRIATIONS REQUIRED TO PAY DOWN THE CITY'S CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS) PENSION PLAN UNFUNDED LIABILITY

WHEREAS, on June 18, 2014, the City Council adopted the Budget for fiscal year 2014-15; and

WHEREAS, on January 21, 2015, a staff report has been presented to the City Council discussing the City's pension plan and providing the cost to pay down the City's CalPERS pension plan unfunded liability by $3,600,000; and

WHEREAS, on January 21, 2015 a staff report has been presented to the City Council requesting an aggregate appropriation increase of $3,600,000; and

WHEREAS, Exhibit "A", attached hereto and made a part hereof, describes said budget amendments and its resultant impacts to the budget line item(s).

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That a Budget Amendment in the aggregate increase of $3,600,000, as more particularly described in Exhibit "A", is hereby approved.

SECTION 2. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original resolutions.

PASSED AND ADOPTED this 21st day of January, 2015.

____
Janice S. Parvin, Mayor

ATTEST:

____
Maureen Benson, City Clerk

Attachment: Exhibit 'A': Budget Appropriation

Resolution No. 2015-_____

Exhibit A

Budget Amendment to
General Fund and Other Funds
To Pay Down the City's Pension Plan Unfunded Liability
FY 2014/15

A. Fund Allocation to pay down pension unfunded liability

Fund	Account	Amount
1000-General Fund	1000-5500	$ 2,112,770
1010-Library Fund	1010-5500	$ 29,319
2000-Traffic Safety Fund	2000-5500	$ 46,085
2001-Traffic System Mgt Fund	2001-5500	$ 13,059
2003-Crossing Guard Fund	2003-5500	$ 4,242
2151-Art in Public Places	2151-5500	$ 3,218
2200-Community Development Fund	2200-5500	$ 412,385
2201-City Affordable Housing Fund	2201-5500	$ 98,214
2300-LLMD	2300-5500	$ 6,262
2301-LLMD	2301-5500	$ 919
2302-LLMD	2302-5500	$ 2,409
2303-LLMD	2303-5500	$ 61
2304-LLMD	2304-5500	$ 328
2305-LLMD	2305-5500	$ 3,194
2306-LLMD	2306-5500	$ 12
2307-LLMD	2307-5500	$ 518
2308-LLMD	2308-5500	$ 919
2309-LLMD	2309-5500	$ 263
2310-LLMD	2310-5500	$ 13,820
2311-LLMD	2311-5500	$ 61
2312-LLMD	2312-5500	$ 8,039
2314-LLMD	2314-5500	$ 194

Fund	Account	Amount
2315-LLMD	2315-5500	$ 6,076
2316-LLMD	2316-5500	$ 263
2318-LLMD	2318-5500	$ 328
2320-LLMD	2320-5500	$ 16,690
2321-LLMD	2321-5500	$ 138
2322-LLMD	2322-5500	$ 39,584
2400-Park Maintenance Fund	2400-5500	$ 265,704
2603-Local Transportation 8A Fund	2603-5500	$ 162,956
2605-Gas Tax Fund	2605-5500	$ 115,645
2620-Engineering/PW Fund	2620-5500	$ 89,345
2800-Endowment Fund	2800-5500	$ 41,831
5000-Local Transit Programs 8C Fund	5000-5500	$ 48,741
5001-Solid Waste AB939 Fund	5001-5500	$ 56,408
TOTAL		**$ 3,600,000**

B. Distribution of Appropriation to Expenditure Accounts

Account Number	Current Budget	Revision	Amended Budget
1000-1100-0000-9013	$ 6,788	$ 33,912	$ 40,700
1000-2100-0000-9013	$ 55,832	$ 226,003	$ 281,835
1000-2210-0000-9013	$ 9,376	$ 37,953	$ 47,329
1000-2411-0000-9013	$ 27,501	$ 111,321	$ 138,822
1000-3100-0000-9013	$ 39,791	$ 161,070	$ 200,861
1000-3110-0000-9013	$ 44,197	$ 178,905	$ 223,102
1000-3120-0000-9013	$ 51,580	$ 208,791	$ 260,371
1000-3160-0000-9013	$ 17,539	$ 70,996	$ 88,535
1000-5110-0000-9013	$ 88,864	$ 359,713	$ 448,577
1000-6100-0000-9013	$ 8,380	$ 33,921	$ 42,301
1000-7100-0000-9013	$ 13,268	$ 53,708	$ 66,976

Resolution No. 2015-_____

Account Number	Current Budget	Revision	Amended Budget
1000-7210-0000-9013	$ 12,995	$ 52,603	$ 65,598
1000-7210-7210-9013	$ 16,638	$ 67,349	$ 83,987
1000-7610-0000-9013	$ 26,283	$ 106,391	$ 132,674
1000-7620-0000-9013	$ 25,669	$ 103,906	$ 129,575
1000-7630-0000-9013	$ 56,594	$ 229,087	$ 285,681
1000-8100-0000-9013	$ 15,250	$ 61,731	$ 76,981
1000-8320-0000-9013	$ 3,807	$ 15,410	$ 19,217
1010-7640-0000-9013	$ 7,243	$ 29,319	$ 36,562
2000-8210-0000-9013	$ 4,015	$ 16,252	$ 20,267
2000-8310-0000-9013	$ 524	$ 2,121	$ 2,645
2000-8330-0000-9013	$ 6,846	$ 27,712	$ 34,558
2001-7620-0000-9013	$ 3,226	$ 13,059	$ 16,285
2003-8210-0000-9013	$ 1,048	$ 4,242	$ 5,290
2151-2100-0000-9013	$ 795	$ 3,218	$ 4,013
2200-6100-0000-9013	$ 14,715	$ 59,565	$ 74,280
2200-6430-0000-9013	$ 19,032	$ 77,040	$ 96,072
2200-6440-0000-9013	$ 68,129	$ 275,780	$ 343,909
2201-2430-0000-9013	$ 16,967	$ 68,681	$ 85,648
2201-6430-0000-9013	$ 3,264	$ 13,212	$ 16,476
2201-7620-0000-9013	$ 4,032	$ 16,321	$ 20,353
2300-7900-7901-9013	$ 1,547	$ 6,262	$ 7,809
2301-7900-7901-9013	$ 227	$ 919	$ 1,146
2302-7900-7901-9013	$ 541	$ 2,190	$ 2,731
2302-8320-8902-9013	$ 54	$ 219	$ 273
2303-7900-7901-9013	$ 15	$ 61	$ 76
2304-7900-7901-9013	$ 81	$ 328	$ 409
2305-7900-7901-9013	$ 735	$ 2,975	$ 3,710
2305-8320-8902-9013	$ 54	$ 219	$ 273
2306-7900-7901-9013	$ 3	$ 12	$ 15

Resolution No. 2015-_____

Account Number	Current Budget	Revision	Amended Budget
2307-7900-7901-9013	$ 128	$ 518	$ 646
2308-7900-7901-9013	$ 227	$ 919	$ 1,146
2309-7900-7901-9013	$ 65	$ 263	$ 328
2310-7900-7901-9013	$ 2,770	$ 11,213	$ 13,983
2310-8320-8902-9013	$ 644	$ 2,607	$ 3,251
2311-7900-7901-9013	$ 15	$ 61	$ 76
2312-7900-7901-9013	$ 1,986	$ 8,039	$ 10,025
2314-7900-7901-9013	$ 48	$ 194	$ 242
2315-7900-7901-9013	$ 1,501	$ 6,076	$ 7,577
2316-7900-7901-9013	$ 65	$ 263	$ 328
2318-7900-7901-9013	$ 81	$ 328	$ 409
2320-7900-7901-9013	$ 4,123	$ 16,690	$ 20,813
2321-7900-7901-9013	$ 34	$ 138	$ 172
2322-7900-7901-9013	$ 9,779	$ 39,584	$ 49,363
2400-7800-0000-9013	$ 65,640	$ 265,704	$ 331,344
2603-8310-0000-9013	$ 40,257	$ 162,956	$ 203,213
2605-8310-0000-9013	$ 28,569	$ 115,645	$ 144,214
2620-8410-0000-9013	$ 22,072	$ 89,345	$ 111,417
2800-2100-0000-9013	$ 10,334	$ 41,831	$ 52,165
5000-8510-0000-9013	$ 12,041	$ 48,741	$ 60,782
5001-3140-3003-9013	$ 13,935	$ 56,408	$ 70,343
TOTAL	**$ 889,349**	**$ 3,600,000**	**$ 4,489,349**

C. Fund Allocation for Transfers

Fund	Account	Amount
4004-Special Projects Fund	4004-5500	$ 2,892,546
1000-General Fund	1000-5500	($ 2,112,770)
2200-Community Development Fund	2200-5500	($ 412,385)
2300-LLMD	2300-5500	($ 6,262)
2301-LLMD	2301-5500	($ 919)
2303-LLMD	2303-5500	($ 61)
2305-LLMD	2305-5500	($ 3,194)
2306-LLMD	2306-5500	($ 12)
2307-LLMD	2307-5500	($ 518)
2308-LLMD	2308-5500	($ 919)
2309-LLMD	2309-5500	($ 263)
2314-LLMD	2314-5500	($ 194)
2400-Park Maintenance Fund	2400-5500	($ 265,704)
2620-Engineering/PW Fund	2620-5500	($ 89,345)
TOTAL		**$ 0**

D. Distribution of Appropriation to Expenditure Accounts for Transfers

Account Number	Current Budget	Revision	Amended Budget
4004-9820	$ 0	$ 2,892,546	$ 2,892,546
1000-6100-0000-9820	$ 778,725	$ 412,385	$ 1,191,110
1000-7800-0000-9820	$ 1,521,775	$ 265,704	$ 1,787,479
1000-7900-0000-9820	$ 107,510	$ 6,080	$ 113,590
1000-8900-0000-9820	$ 16,463	$ 6,262	$ 22,725
1000-8410-0000-9820	$ 78,881	$ 89,345	$ 168,226
TOTAL	**$ 2,503,354**	**$ 3,672,322**	**$ 6,175,676**

Resolution No. 2015-_____

E. Distribution of Appropriation to Revenue Accounts for Transfers

Account Number	Current Budget	Revision	Amended Budget
1000-3720	$ 0	$ 2,892,546	$ 2,892,546
2200-3720	$ 778,725	$ 412,385	$ 1,191,110
2300-3720	$ 161,294	$ 6,262	$ 167,556
2301-3720	$ 5,233	$ 919	$ 6,152
2303-3720	$ 766	$ 61	$ 827
2305-3720	$ 37,590	$ 3,194	$ 40,784
2306-3720	$ 574	$ 12	$ 586
2307-3720	$ 3,837	$ 518	$ 4,355
2308-3720	$ 9,508	$ 919	$ 10,427
2309-3720	$ 3,605	$ 263	$ 3,868
2314-3720	$ 1,566	$ 194	$ 1,760
2400-3720	$ 1,521,775	$ 265,704	$ 1,787,479
2620-3720	$ 78,881	$ 89,345	$ 168,226
TOTAL	**$ 2,603,354**	**$ 3,672,322**	**$ 6,275,676**

Finance Approval: _______________

CalPERS
California Public Employees' Retirement System
Actuarial Office
P.O. Box 942709
Sacramento, CA 94229-2709
TTY: (916) 795-3240
(888) 225-7377 phone – (916) 795-2744 fax
www.calpers.ca.gov

ATTACHMENT 2

October 2014

MISCELLANEOUS PLAN OF THE CITY OF MOORPARK
(CalPERS ID: 4690157978)
Annual Valuation Report as of June 30, 2013

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2013 actuarial valuation report of your pension plan. Because this plan is in a risk pool and the CalPERS Board approved structural changes to risk pooling on May 21, 2014 you will notice some changes between your last actuarial report and this one. An overview of the changes to pooling is provided below and we urge you to carefully review the information provided in this report.

Because this plan is in a risk pool, the following valuation report has been separated into two Sections:

- Section 1 contains specific information for your plan, including the development of your pooled employer contributions and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to your plan, as of June 30, 2013.

Section 2 can be found on the CalPERS website at (www.calpers.ca.gov) then select in order "Employers", "Actuarial, Risk Pooling & GASB 27 Information", "Risk Pooling", "Risk Pool Annual Valuation Reports", then select the appropriate pool report.

Your 2013 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the Actuarial Certification Section on page 1, is available to discuss your report with you after October 31, 2014.

Future Contribution Rates

Fiscal Year	Employer Normal Cost Rate	+	Employer Payment of Unfunded Liability
2015-16	8.003%		$ 188,834
2016-17 (projected)	8.3%		$ 227,920

The exhibit above displays the Minimum Employer Contributions, before any cost sharing, for 2015-16 along with estimates of the contributions for 2016-17. The estimated contributions for 2016-17 are based on a projection of the most recent information we have available, including an estimated 18.0 percent investment return for fiscal 2013-14, the impact of the new amortization methods adopted by the CalPERS Board in April 2013 that will impact employer rates for the first time in 2015-16 and new actuarial assumptions adopted by the CalPERS Board in February 2014 that will impact rates for the first time in 2016-17. These new demographic assumptions include a 20-year projected improvement in mortality.

A projection of employer contributions beyond 2016-17 can be found in the Risk Analysis Section of this report, "Analysis of Future Investment Return Scenarios", under a variety of investment return scenarios. Please disregard any projections provided to you in the past. Member contributions, other than cost sharing (whether paid by the employer or the employee), are in addition to the above amounts. The employer contributions in this report do not reflect any cost sharing arrangements you may have with your employees.

The estimate for 2016-17 also assumes that there are no future contract 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 contributions. Even for the largest plans or pools, such gains and losses can impact the employer's contribution rate by one or two percent of payroll or even more in some less common circumstances. These gains and losses cannot be predicted in advance so the projected employer contributions are estimates. Your actual employer contributions for 2016-17 will be provided in next year's valuation report.

Changes since the Prior Year's Valuation

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The impact of this new actuarial methodology is reflected in the *"Analysis of Future Investment Return Scenarios"* subsection of the *"Risk Analysis"* section of your report.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members PEPRA also effectively closed all existing active risk pools to new employees. As such it is no longer appropriate to assume that the payroll of the risk pools for the classic formulas will continue to grow at 3 percent annually. Funding the promised pension benefits as a percentage of payroll would lead to the underfunding of the plans. In addition the current allocation of the existing unfunded liabilities based on payroll would create equity issues for employers within the risk pools. Furthermore the declining payroll of the classic formula risk pools will lead to unacceptable levels of employer rate volatility.

In order to address these issues the CalPERS Board of Administration approved at their May 21, 2014 meeting structural changes to the risk pools. All pooled plans will be combined into two active pools, one for all miscellaneous groups and one for all safety groups, effective with the 2013 valuations. By combining the pools this way the payroll of the risk pools and the employers within the pools can once again be expected to increase at the assumed 3 percent annual growth. However two important changes are being made which will affect employers.

1. Beginning with FY 2015-16 CalPERS will collect employer contributions toward your unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This change will address the funding issue that would still arise from the declining population of classic formula members. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability and side fund

payments the plan's normal cost contribution will continue to be collected as a percentage of payroll.

2. The pool's unfunded liability will be allocated to each individual plan based on the plan's total liability rather than by plan individual payroll. This will allow employers to track their own unfunded liability and pay it down faster if they choose. The change in the allocation of unfunded liabilities will result in some employers paying more towards their unfunded liability and some paying less.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. The impact of the PEPRA changes are included in the rates and the benefit provision listings of the June 30, 2013 valuation for the 2015-16 rates. For more information on PEPRA, please refer to the CalPERS website.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Besides the above noted changes, there may also be changes specific to your plan such as contract amendments and funding changes.

Further descriptions of general changes are included in the *"Highlights and Executive Summary"* section and in Appendix A, *"Statement of Actuarial Data, Methods and Assumptions"* of your section 2 report. 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, you wait until after October 31 to contact us with actuarial related questions.

If you have other questions, please call our customer contact center at (888) CalPERS or (888-**225-7377**).

Sincerely,

ALAN MILLIGAN
Chief Actuary

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CalPERS

ACTUARIAL VALUATION

as of June 30, 2013

for the
MISCELLANEOUS PLAN
of the
CITY OF MOORPARK

(CalPERS ID: 4690157978)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2015 - June 30, 2016

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TABLE OF CONTENTS

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Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Specific Information
for the
MISCELLANEOUS PLAN
of the
CITY OF MOORPARK

(CalPERS ID: 4690157978)
(Rate Plan: 1460)

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ACTUARIAL CERTIFICATION

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2013 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2013 provided by employers participating in the SAFETY risk pool to which your plan belongs and benefit provisions under the CalPERS contracts for those agencies.

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

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for your plan, it is my opinion as your Plan Actuary that the Side Fund and other Unfunded Accrued Liability bases as of June 30, 2013 and employer contribution rate as of July 1, 2015, have been properly and accurately determined in accordance with the principles and standards stated above.

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

KERRY J. WORGAN, MAAA, FSA, FCIA
Senior Pension Actuary, CalPERS
Plan Actuary

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HIGHLIGHTS AND EXECUTIVE SUMMARY

- **INTRODUCTION**
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Introduction

This report presents the results of the June 30, 2013 actuarial valuation of the MISCELLANEOUS PLAN of the CITY OF MOORPARK of the California Public Employees' Retirement System (CalPERS). This actuarial valuation was used to set the 2015-16 required employer contribution rates.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The impact of this new actuarial methodology is reflected in the *"Analysis of Future Investment Return Scenarios"* subsection of the *"Risk Analysis"* section of your report.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members PEPRA also effectively closed all existing active risk pools to new employees. As such it is no longer appropriate to assume that the payroll of the risk pools for the classic formulas will continue to grow at 3 percent annually. Funding the promised pension benefits as a percentage of payroll would lead to the underfunding of the plans. In addition the current allocation of the existing unfunded liabilities based on payroll would create equity issues for employers within the risk pools. Furthermore the declining payroll of the classic formula risk pools will lead to unacceptable levels of employer rate volatility.

In order to address these issues the CalPERS Board of Administration approved at their May 21, 2014 meeting structural changes to the risk pools. All pooled plans will be combined into two active pools, one for all miscellaneous groups and one for all safety groups, effective with the 2013 valuations. By combining the pools this way the payroll of the risk pools and the employers within the pools can once again be expected to increase at the assumed 3 percent annual growth. However two important changes are being made which will affect employers.

1. Beginning with FY 2015-16 CalPERS will collect employer contributions toward your unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This change will address the funding issue that would still arise from the declining population of classic formula members. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability and side fund payments the plan's normal cost contribution will continue to be collected as a percentage of payroll.
2. The pool's unfunded liability will be allocated to each individual plan based on the plan's total liability rather than by the plan's individual payroll. This will allow employers to track their own unfunded liability and pay it down faster if they choose. The change in the allocation of unfunded liabilities will result in some employers paying more towards their unfunded liability and some paying less.

The impact of most of the PEPRA changes will first show up in the rates and the benefit provision listings of the June 30, 2013 valuation that sets the contribution rates for the 2015-16 fiscal year. For more detailed information on changes due to PEPRA, please refer to the CalPERS website.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns (see Appendix). The adopted asset allocation is expected to have a long- term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Purpose of Section 1

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

- Set forth the assets and accrued liabilities of this plan as of June 30, 2013;
- Determine the required employer contribution for this plan for the fiscal year July 1, 2015 through June 30, 2016;
- Provide actuarial information as of June 30, 2013 to the CalPERS Board of Administration and other interested parties; and
- Provide pension information as of June 30, 2013 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Cost Sharing Multiple Employer Defined Benefit Pension Plan.

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

California Actuarial Advisory Panel Recommendations

This report includes all the basic disclosure elements as described in the *Model Disclosure Elements for Actuarial Valuation Reports* recommended in 2011 by the California Actuarial Advisory Panel (CAAP), with the exception of including the original base amounts of the various components of the unfunded liability in the Schedule of Amortization Bases shown on page 12.

Additionally, this report includes the following "Enhanced Risk Disclosures" also recommended by the CAAP in the Model Disclosure Elements document:

- A "Deterministic Stress Test," projecting future results under different investment income scenarios
- A "Sensitivity Analysis," showing the impact on current valuation results using a 1 percent plus or minus change in the discount rate.

Required Employer Contribution

Actuarially Determined Employer Contributions:		Fiscal Year 2014-15[1]		Fiscal Year 2015-16
Employer Contributions (in Projected Dollars)				
Plan's Employer Normal Cost	$	419,694	$	431,708
Plan's Payment on Amortization Bases		172,083		188,834[2]
Surcharge for Class 1 Benefits[3]				
None		0		0
Phase out of Normal Cost Difference[4]		0		0
Amortization of Side Fund		0		0
Total Employer Contribution	$	591,777	$	620,542
Projected Payroll for the Contribution Fiscal Year	$	5,364,186	$	5,394,321
Required Employer Contributions (Percentage of Payroll)				
Plan's Net Employer Normal Cost		7.824%		8.003%
Plan's Payment on Amortization Bases		3.208%		3.501%[2]
Surcharge for Class 1 Benefits[3]				
None		0.000%		0.000%
Phase out of Normal Cost Difference[4]		0.000%		0.000%
Amortization of Side Fund		0.000%		0.000%
Total Employer Contribution Rate		11.032%		11.504%

Required Employer Contribution for FY 2015-16		
Employer Contribution Rate[5]		**8.003%**
***Plus* Monthly Employer Dollar UAL Payment[6]**	**$**	**15,736**
Annual Lump Sum Prepayment Option	**$**	**182,128**

*For FY 2015-16 the total minimum required employer contribution is the **sum** of the Plan's Employer Contribution Rate (expressed as a percentage of payroll) **plus** the Employer Unfunded Accrued Liability (UAL) Contribution Amount (in dollars). Whereas in prior years it was possible to prepay total employer contributions for the fiscal year, beginning with FY 2015-16 and beyond, only the UAL portion of the employer contribution can be prepaid.*

[1] The results shown for FY 2014-15 reflect the prior year valuation and do not reflect any lump sum payment, side fund payoff or rate adjustment made after annual valuation report is completed.

[2] For FY 2015-16 the Plan's Payment on Amortization Bases reflects the sum of all UAL amortization bases including the Plan's Side Fund (where applicable).

[3] Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

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

[5] The minimum employer contribution under PEPRA is the greater of the required employer contribution or the total employer normal cost.

[6] The Plan's Payment on Amortization Bases Contribution amount for FY 2015-16 will be billed as a level dollar amount monthly over the course of the year. Late payments will accrue interest at an annual rate of 7.5 percent. Lump sum payments may be made through my|CalPERS. Plan Normal Cost contributions will be made as part of the payroll reporting process. As a percentage of payroll your UAL contribution is 3.501 percent.

Plan's Funded Status

	June 30, 2012	June 30, 2013
1. Present Value of Projected Benefits (PVB)	$ 27,237,621	$ 29,073,709
2. Entry Age Normal Accrued Liability	21,855,414	23,722,988
3. Plan's Market Value of Assets (MVA)	16,821,769	19,236,918
4. Unfunded Liability [(2) - (3)]	5,033,645	4,486,070
5. Funded Ratio [(3) / (2)]	77.0%	81.1%

Projected Contributions

The contribution rate and amount shown below is an estimate for the employer contribution for fiscal year 2016-17. The estimated contribution is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2013-14, namely 18.0 percent. It also reflects implementation of the direct rate smoothing method and the impact of new actuarial assumptions.

Projected Employer Contribution Rate:	8.3%
Projected Plan UAL Contribution	$ 227,920

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.0 percent in the 2013-14 fiscal year. Therefore, the projected employer contribution for 2016-17 is strictly an estimate. Your actual rate for 2016-17 will be provided in next year's valuation report. A more detailed analysis of your projected employer contributions over the next five years can be found in the "Risk Analysis" section of this report.

ASSETS AND LIABILITIES

- DEVELOPMENT OF PLAN'S SHARE OF POOL'S UAL
- DEVELOPMENT OF PLAN'S SHARE OF POOL'S MVA
- SCHEDULE OF PLAN'S SIDE FUND & OTHER AMORTIZATION BASES
- ALTERNATIVE AMORTIZATION SCHEDULES
- FUNDING HISTORY
- PLAN'S TOTAL NORMAL COST RATE

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Development of the Plan's Share of Pool's Unfunded Accrued Liability

It is the policy of the CalPERS to ensure equity within the risk pools by allocating the pool's unfunded accrued liability in a manner that treats each employer fairly and that maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. Commencing with the June 30, 2013 actuarial valuations and for purposes of allocating the pool's unfunded accrued liability to all the individual plans within the pool, an individual plan's total unfunded accrued liability (Preliminary Plan UAL) on a specific valuation date will be set equal to the sum of the outstanding unamortized balances on the valuation date for the following:

a) Side Fund
b) Plan's share of Pool UAL due to benefit changes (including golden handshakes) provided to the members of that plan
c) Plan's share of the Pool UAL created before the valuation date for reasons other than benefit changes

1.	Plan's Accrued Liability	$	23,722,988
2.	Plan's Side Fund		0
3.	Increase in Plan's AL for amendments in FY 2012-13		52,553
4.	Pool's Accrued Liability	$	4,434,848,248
5.	Sum of Pool's Individual Plan Side Funds		108,339,918
6.	Increase in Pool's AL for amendments in FY 2012-13		409,907
7.	Pre-2013 Pool's UAL	$	371,706,237
8.	Plan's Share of Pre-2013 Pool's UAL [(1)-(2)-(3)]/[(4)-(5)-(6)] * (7)	$	**2,033,807**
9.	Pool's 2013 Investment & Asset (Gain)/Loss		442,846,571
10.	Pool's 2013 Other (Gain)/Loss		(4,364,079)
11.	Plan's Share of Pool's Asset (Gain)/Loss [(1)-(2)-(3)]/[(4)-(5)-(6)] * (9)		2,423,054
12.	Plan's Share of Pool's Other (Gain)/Loss [(1)]/[(4)] * (10)		(23,344)
13.	Plan's UAL as of 6/30/2013 [(2)+(8)+(11)+(12)]	$	**4,486,070**

Development of the Plan's Share of Pool's Market Value of Assets

1.	Plan's Accrued Liability	$	23,722,988
2.	Plan's UAL	$	4,486,070
3.	Plan's Share of Pool's MVA (1)-(2)	$	**19,236,918**

Schedule of Plan's Side Fund and Other Amortization Bases

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

- The assets, liabilities and funded status of the plan are measured as of the valuation date; June 30, 2013.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date; fiscal year 2015-16.

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 well in advance of the start of the fiscal year.

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

							Amounts for Fiscal 2015-16		
Reason for Base	**Date Established**	**Amorti-zation Period**	**Balance 6/30/13**	**Expected Payment 2013-14**	**Balance 6/30/14**	**Expected Payment 2014-15**	**Balance 6/30/15**	**Scheduled Payment for 2015-16**	**Payment as Percentage of Payroll**
SIDE FUND	06/30/13	0	$0	$0	$0	$0	$0	$0	0.000%
SHARE OF PRE-2013 POOL UAL	06/30/13	22	$2,033,807	$114,604	$2,067,519	$175,861	$2,040,246	$145,243	2.693%
ASSET (GAIN)/LOSS	06/30/13	30	$2,423,054	$0	$2,604,783	$0	$2,800,142	$39,384	0.730%
NON-ASSET (GAIN)/LOSS	06/30/13	30	$(23,344)	$0	$(25,095)	$0	$(26,977)	$(379)	(0.007%)
GOLDEN HANDSHAKE	06/30/13	20	$52,553	$0	$56,494	$0	$60,731	$4,586	0.085%
TOTAL			**$4,486,070**	**$114,604**	**$4,703,701**	**$175,861**	**$4,874,142**	**$188,834**	**3.501%**

Commencing with the June 30, 2013 actuarial valuations, the side fund will be treated as a liability as opposed to an asset. Prior to June 30, 2013, a positive side fund conveyed that a public agency had a surplus when risk pooling began June 30, 2003. Conversely, a negative side fund signified that a public agency had an unfunded liability that required elimination through an amortization payment schedule. After June 30, 2013 a positive side fund will signify that an agency has an unfunded liability while a negative side fund will indicate a surplus asset. The amortization schedule will remain unchanged, with the exception that a plan with a negative side fund may have its amortization period extended at the discretion of the plan actuary.

Your plan's allocated share of the risk's pool's unfunded accrued liability is based on your plan's accrued liability and is amortized over the average amortization period of the combined existing amortization bases prior to June 30, 2013. The payments on this base for Fiscal Year 2013-14 and 2014-15 are allocated by your plan's payroll.

The (gain)/loss base is your plan's allocated share of the risk pool's asset gain/loss for the Fiscal Year 2012-13, the change in unfunded accrued liability due to direct rate smoothing and your plan's allocated share of the risk pool's other liability gains and losses for fiscal year 2012-13. This base will be amortized according to Board policy over 30 years with a 5-year ramp-up.

Alternate Amortization Schedules

The amortization schedule shown on the previous page shows the minimum contributions required according to CalPERS amortization policy. There has been considerable interest from many agencies in paying off these unfunded accrued liabilities sooner and the possible savings in doing so. As a result, we have provided alternate amortization schedules to help analyze your current amortization schedule and illustrate the advantages of accelerating unfunded liability payments towards your plan's unfunded liability of $4,874,142 as of June 30, 2015, which will require total payments of $12,542,086.

Shown below are the level rate payments required to amortize your plan's unfunded liability assuming a fresh start over the various periods noted. Note that the payments under each scenario would increase by 3 percent for each year into the future.

		Level Rate		
Period	**2015-16 Payment**	**Total Payments**	**Total Interest**	**Savings**
25	$ 322,154	$ 11,745,498	$ 6,871,356	$ 796,588
20	$ 368,024	$ 9,888,943	$ 5,014,801	$ 2,653,143

Current CalPERS Board policy calls for lump sum contributions in excess of the required employer contribution shall first be used to eliminate the side fund, if applicable, and then the plan's share of the pool's unfunded accrued liability.

Please contact your plan actuary before making such a payment to ensure that the payment is applied correctly.

Funding History

The Funding History below shows the actuarial accrued liability, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2011	$ 20,711,269	$ 16,903,108	$ 3,808,161	81.6%	$ 4,861,780
06/30/2012	21,855,414	16,821,769	5,033,645	77.0%	4,908,990
06/30/2013	23,722,988	19,236,918	4,486,070	81.1%	4,936,568

Plan's Total Normal Cost Rate

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

Shown below are the total annual normal cost rates for your plan.

	Fiscal Year 2014-15	Fiscal Year 2015-16
Plan's Net Total Normal Cost Rate for 2% @ 55	14.711%	14.894%
Surcharge for Class 1 Benefits		
None	0.000%	0.000%
Plan's Total Normal Cost Rate	14.711%	14.894%

RISK ANALYSIS

- VOLATILITY RATIOS
- PROJECTED EMPLOYER CONTRIBUTIONS
- ANALYSIS OF FUTURE INVESTMENT RETURN SCENARIOS
- ANALYSIS OF DISCOUNT RATE SENSITIVITY
- HYPOTHETICAL TERMINATION LIABILITY

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Volatility Ratios

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

Asset Volatility Ratio (AVR)

Plans that have higher asset to payroll ratios produce more volatile employer rates due to investment return. For example, a plan with an asset to payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility, than a plan with an asset to payroll ratio of 4. Below we have shown your asset volatility ratio, a measure of the plan's current rate volatility. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio (LVR)

Plans that have higher liability to payroll ratios produce more volatile employer rates due to investment return and changes in liability. For example, a plan with a liability to payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability to payroll ratio of 4. The liability volatility ratio is also included in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility and the asset volatility ratio, described above, will tend to move closer to this ratio as the plan matures.

Rate Volatility		**As of June 30, 2013**
1. Market Value of Assets	$	19,236,918
2. Payroll		4,936,568
3. Asset Volatility Ratio (AVR = 1. / 2.)		3.9
4. Accrued Liability	$	23,722,988
5. Liability Volatility Ratio (LVR = 4. / 2.)		4.8

Projected Employer Contributions

The estimated rate for 2016-17 is based on a projection of the most recent information we have available, including an estimated 18.0 percent investment return for fiscal 2013-14, the impact of the new smoothing methods adopted by the CalPERS Board in April 2013 that will impact employer rates for the first time in 2015-16 and new actuarial assumptions adopted by the CalPERS Board in February 2014. These new demographic assumptions include a 20-year projected improvement in mortality. A complete listing of the new demographic assumptions to be implemented with the June 30, 2014 annual actuarial valuation and incorporated in the projected rates for FY 2016-17 and beyond can be found on the CalPERS website at: http://www.calpers.ca.gov /eip-docs/about/pubs/employer/actuarial-assumptions.xls

The table below shows projected employer contribution rates (before cost sharing) for the next five Fiscal Years, ***assuming CalPERS earns 18.0% for fiscal year 2013-14 and 7.50 percent every fiscal year thereafter***, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2016-17.

	New Rate	Projected Future Employer Contribution Rates				
	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Normal Cost %:	8.003%	8.3%	8.3%	8.3%	8.3%	8.3%
UAL $	$ 188,834	$ 227,920	$ 269,183	$ 312,716	$ 358,619	$ 361,777

Analysis of Future Investment Return Scenarios

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long- term blended return that continues to support a discount rate assumption of 7.5 percent. The newly adopted asset allocation has a lower expected investment volatility that will result in better risk characteristics than an equivalent margin for adverse deviation. The current asset allocation has an expected standard deviation of 12.45 percent while the newly adopted asset allocation has a lower expected standard deviation of 11.76 percent.

The investment return for fiscal year 2013-14 was announced July 14, 2014. The investment return in fiscal year 2013-14 is 18.42 percent before administrative expenses. This year, there will be no adjustment for real estate and private equities. For purposes of projecting future employer rates, we are assuming a 18.0 percent investment return for fiscal year 2013-14.

The investment return realized during a fiscal year first affects the contribution rate for the fiscal year 2 years later. Specifically, the investment return for 2013-14 will first be reflected in the June 30, 2014 actuarial valuation that will be used to set the 2016-17 employer contribution rates, the 2014-15 investment return will first be reflected in the June 30, 2015 actuarial valuation that will be used to set the 2017-18 employer contribution rates and so forth.

Based on a 18.0 percent investment return for fiscal year 2013-14, the April 17, 2013 CalPERS Board-approved amortization and rate smoothing method change, the February 18, 2014 new demographic assumptions including 20-year mortality improvement using Scale BB and assuming that all other actuarial assumptions will be realized, and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2016-17, the effect on the 2016-17 Employer Rate is as follows:

	Estimated 2016-17 Employer Contribution	Estimated Increase in Employer Contribution between 2015-16 and 2016-17
Normal Cost %:	8.3%	0.3%
UAL $	$ 227,920	$ 39,086

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2014-15, 2015-16 and 2016-17 on the 2017-18, 2018-19 and 2019-20 employer rates. Once again, the projected rate increases assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

Five different investment return scenarios were selected.

- The first scenario is what one would expect if the markets were to give us a 5^{th} percentile return from July 1, 2014 through June 30, 2017. The 5^{th} percentile return corresponds to a -3.8 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25^{th} percentile return from July 1, 2014 through June 30, 2017. The 25^{th} percentile return corresponds to a 2.8 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- The third scenario assumed the return for 2014-15, 2015-16, 2016-17 would be our assumed 7.5 percent investment return which represents about a 49^{th} percentile event.
- The fourth scenario is what one would expect if the markets were to give us a 75^{th} percentile return from July 1, 2014 through June 30, 2017. The 75^{th} percentile return corresponds to a 12.0 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- Finally, the last scenario is what one would expect if the markets were to give us a 95^{th} percentile return from July 1, 2014 through June 30, 2017. The 95^{th} percentile return corresponds to a 18.9 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.

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

2014-17 Investment Return Scenario	Estimated Employer UAL Contribution			Estimated Total Change in Employer UAL Contribution between 2016-17 and 2019-20
	2017-18	2018-19	2019-20	
-3.8% (5th percentile)	$ 309,927	$ 435,383	$ 604,971	$ 377,051
2.8% (25th percentile)	$ 286,131	$ 364,860	$ 465,610	$ 237,690
7.5%	$ 269,183	$ 312,716	$ 358,619	$ 130,699
12.0%(75th percentile)	$ 252,954	$ 261,292	$ 249,904	$ 21,984
18.9%(95th percentile)	$ 228,066	$ 0	$ 0	$ (227,920)

In addition to the UAL Contribution amounts shown above the estimated employer normal cost of 8.3% of payroll will also be payable in each of the fiscal years shown above. The projected plan normal cost is expected to remain relatively stable over this time period.

Analysis of Discount Rate Sensitivity

The following analysis looks at the 2015-16 employer contributions under two different discount rate scenarios. Shown below are the employer contributions assuming discount rates that are 1 percent lower and 1 percent higher than the current valuation discount rate. This analysis gives an indication of the potential required employer contribution rates if the PERF were to realize investment returns of 6.50 percent or 8.50 percent over the long-term.

This type of analysis gives the reader a sense of the long-term risk to the employer contributions.

2015-16 Employer Contribution			
As of June 30, 2013	6.50% Discount Rate (-1%)	7.50% Discount Rate (assumed rate)	8.50% Discount Rate (+1%)
Plan's Employer Normal Cost	11.4%	8.0%	5.4%
Accrued Liability	$ 27,159,991	$ 23,722,988	$ 20,882,841
Unfunded Accrued Liability	$ 7,923,073	$ 4,486,070	$ 1,645,923

Hypothetical Termination Liability

Below is an estimate of the financial position of your plan if you had terminated your contract with CalPERS as of June 30, 2013 using the discount rates shown below. Your plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For this hypothetical termination liability both compensation and service is frozen as of the valuation date and no future pay increases or service accruals are included. In December 2012, the CalPERS Board adopted a more conservative investment policy and asset allocation strategy for the Terminated Agency Pool. Since the Terminated Agency Pool has limited funding sources, expected benefit payments are secured by risk-free assets. With this change, CalPERS increased benefit security for members while limiting its funding risk. This asset allocation has a lower expected rate of return than the PERF. Consequently, the lower discount rate for the Terminated Agency pool results in higher liabilities for terminated plans.

In order to terminate your plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow your plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of your plan liabilities. CalPERS advises you to consult with your plan actuary before beginning this process.

Valuation Date	Hypothetical Termination Liability[1]	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Termination Liability Discount Rate[2]
06/30/2011	$ 29,825,193	$ 16,903,108	$ 12,922,085	56.7%	$ 4.82%
06/30/2012	39,820,407	16,821,769	22,998,638	42.2%	2.98%
06/30/2013	37,725,450	19,236,918	18,488,532	51.0%	3.72%

[1] The hypothetical liabilities calculated above include a 7 percent mortality load contingency in accordance with Board policy. Other actuarial assumptions, such as wage and inflation assumptions, can be found in appendix A.

[2] The discount rate assumption used for termination valuations is a weighted average of the 10 and 30-year US Treasury yields in effect on the valuation date that equal the duration of the pension liabilities. For purposes of this hypothetical termination liability estimate, the discount rate used, is the yield on the 30-year US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS). Note that as of June 30, 2014 the 30-year STRIPS rate is 3.55 percent.

Participant Data

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

	June 30, 2012	June 30, 2013
Projected Payroll for Contribution Purposes	$ 5,364,186	$ 5,394,321
Number of Members		
Active	61	60
Transferred	34	30
Separated	38	38
Retired	37	43

List of Class 1 Benefit Provisions

- None

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

Disclosure under GASB 27 follows. However, note that effective for financial statements for fiscal years beginning after June 15, 2014, GASB 68 replaces GASB 27. Disclosure required under GASB 68 will require additional reporting. CalPERS is intending to provide GASB 68 disclosure information upon request for an additional fee. We urge you to start discussions with your auditors on how to implement GASB 68.

Your plan is part of the Miscellaneous Risk Pool, a cost-sharing multiple-employer defined benefit plan. Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2015 to June 30, 2016 has been determined by an actuarial valuation of the plan as of June 30, 2013. Your unadjusted contribution for the indicated period is a normal cost contribution of 8.003 percent of payroll and an unfunded accrued liability dollar amount of $188,834. In order to calculate the dollar value of the contractually required contributions for inclusion in financial statements prepared as of June 30, 2016, this normal cost contribution rate, less any employee cost sharing, and as modified by any subsequent financing changes or contract amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2015 to June 30, 2016 combined with the UAL amount of $188,834. However, if this contribution is fully prepaid in a lump sum, then the dollar value of contractually required contributions is equal to the lump sum prepayment. The employer and the employer's auditor are responsible for determining the contractually required contributions. Further, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years is to be disclosed under GASB 27.

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

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

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

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

PLAN'S MAJOR BENEFIT OPTIONS

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Plan's Major Benefit Options

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

	Contract package	
Benefit Provision	Receiving	Active Misc
Benefit Formula		2.0% @ 55
Social Security Coverage		no
Full/Modified		full
Final Average Compensation Period		36 mos.
Sick Leave Credit		yes
Non-Industrial Disability		standard
Industrial Disability		no
Pre-Retirement Death Benefits		
Optional Settlement 2W		yes
1959 Survivor Benefit Level		level 4
Special		no
Alternate (firefighters)		no
Post-Retirement Death Benefits		
Lump Sum	$5000	$5000
Survivor Allowance (PRSA)	no	no
COLA	2%	2%

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Section 2 may be found on the CalPERS website (www.calpers.ca.gov) then selecting:

- **Employers**
- **Actuarial & GASB 27 Information**
- **Risk Pooling**
- **Risk Pool Annual Valuation Report**