CalPERS

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

October 2011

MISCELLANEOUS PLAN OF THE CITY OF SACRAMENTO (EMPLOYER # 1121)
Annual Valuation Report as of June 30, 2010

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2010 actuarial valuation report of your pension plan. This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the report with you.

Changes Since the Prior Year's Valuation

A temporary modification to our method of determining the actuarial value of assets and amortizing gains and losses was implemented for the valuations as of June 30, 2009 through June 30, 2011. The effect of those modifications continue in this valuation.

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." The effect of the changes on your rate is included in the "Reconciliation of Required Employer Contributions."

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2012/2013 along with estimates of the contribution rate for 2013/2014 and 2014/2015 and the probable Superfunded status for 2013/2014. The estimated rate for 2013/2014 is based solely on a projection of the investment return for fiscal 2010/2011, namely 20.0%. The estimated rate for 2014/2015 uses the valuation assumption of 7.75% as the investment return for fiscal 2011/2012. See Appendix D, "Investment Return Sensitivity Analysis", for rate projections under a variety of investment return scenarios. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2012/2013	12.844%	NO
2013/2014	13.0% (projected)	NO
2014/2015	13.1% (projected)	N/A

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

The estimates for 2013/2014 and 2014/2015 also assume that there are no future amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). **This is a very important assumption because these gains and losses do occur and can have a significant impact on your contribution rate.** Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate of one or two percent and may be even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rates are just estimates. Your actual rate for 2013/2014 will be provided in next year's report.

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

Sincerely,

ALAN MILLIGAN, MAAA, FCA, FSA, FCIA
Chief Actuary

CalPERS

ACTUARIAL VALUATION

as of June 30, 2010

for the MISCELLANEOUS PLAN of the CITY OF SACRAMENTO

(EMPLOYER # 1121)

REQUIRED CONTRIBUTIONS FOR FISCAL YEAR July 1, 2012 – June 30, 2013

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ACTUARIAL CERTIFICATION

To the best of our knowledge, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the MISCELLANEOUS PLAN OF THE CITY OF SACRAMENTO. This valuation is based on the member and financial data as of June 30, 2010 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The undersigned listed are actuaries for CalPERS. Both are members of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Fritzie Archuleta

FRITZIE ARCHULETA, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

ALAN MILLIGAN, MAAA, FCA, FSA, FCIA
Chief Actuary

HIGHLIGHTS AND EXECUTIVE SUMMARY

- **PURPOSE OF THE REPORT**
- **REQUIRED CONTRIBUTIONS**
- **FUNDED STATUS**
- **COST AND VOLATILITY**
- **CHANGES SINCE THE PRIOR VALUATION**

Purpose of the Report

This report presents the results of the June 30, 2010 actuarial valuation of the MISCELLANEOUS PLAN OF THE CITY OF SACRAMENTO of the California Public Employees' Retirement System (CalPERS). The valuation was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2010;
- certify that the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2012 through June 30, 2013 is 12.844%;
- provide actuarial information as of June 30, 2010 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2010 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single 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 termination or alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Contributions

	Fiscal Year 2011/2012	Fiscal Year 2012/2013
Required Employer Contributions		
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	$ 14,509,418	$ 14,017,289
Payment on the Amortization Bases	9,925,118	10,205,035
Total (not less than zero)	$ 24,434,536	$ 24,222,324
Annual Lump Sum Prepayment Option*	$ 23,539,404	$ 23,334,966
Employer Contribution Required (Percentage of Payroll)		
Payment for Normal Cost	7.517%	7.433%
Payment on the Amortization Bases	5.142%	5.411%
Total (not less than zero)	12.659%	12.844%

Funded Status

	June 30, 2009	June 30, 2010
Present Value of Projected Benefits	$ 903,783,216	$ 947,684,120
Entry Age Normal Accrued Liability	$ 696,454,481	$ 750,920,883
Actuarial Value of Assets (AVA)	556,378,430	606,857,292
Unfunded Liability (AVA)	$ 140,076,051	$ 144,063,591
Market Value of Assets (MVA)	$ 402,507,980	$ 477,184,231
Unfunded Liability (MVA)	293,946,501	273,736,652
Funded Status (MVA)	57.8%	63.5%
Superfunded Status	No	No

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

Cost and Volatility

Actuarial Cost Estimates in General

What will this pension plan 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 report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions to reflect 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 in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.75% for the past twenty year period ending June 30, 2011, returns for each fiscal year ranged from -24% to +20.7%

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces.

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost or Accrued Liability (i.e., the current value of the benefit for all credited 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 Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is 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 total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the employer rate will vary depending on the amortization period chosen.

Rate Volatility

As is stated above, 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.

Plans that have higher asset to payroll ratios produce more volatile employer rates due to investment return. On the following page we have shown your volatility index, a measure of the plan's potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the plan matures.

Rate Volatility		**As of June 30, 2010**
Market Value of Assets without Receivables	$	476,012,816
Payroll		171,328,547
Volatility Index		2.8

Changes since the Prior Valuation

Actuarial Assumptions

There were no changes made to the actuarial assumptions since the prior year's actuarial valuation. The only exception would be changes necessary to reflect a benefit amendment.

Actuarial Methods

A method change was adopted by the CalPERS Board in June 2009. We are in the second year of a 3-year temporary change to the asset smoothing method and the amortization of gains and losses in order to phase in the impact of the -24% investment loss experienced by CalPERS in fiscal year 2008-2009. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter
- Isolate and amortize all gains and losses during fiscal year 2008-2009, 2009-2010 and 2010-2011 over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization)

A complete description of all methods is in Appendix A. The detailed calculation of the actuarial value of assets is shown in the "Development of the Actuarial Value of Assets."

Benefits

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

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to Appendix B for a summary of the plan provisions used in the valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on your employer contribution rate is shown in the "Reconciliation of Required Employer Contributions". It should be noted that no change in liability or rate is shown for any plan changes which were already included in the prior year's valuation.

SUMMARY OF LIABILITIES AND RATES

- DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES
- (GAIN) / LOSS ANALYSIS
- SCHEDULE OF AMORTIZATION BASES
- RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS
- EMPLOYER CONTRIBUTION RATE HISTORY
- FUNDING HISTORY

Development of Accrued and Unfunded Liabilities

1.	Present Value of Projected Benefits		
	a) Active Members	$	634,813,697
	b) Transferred Members		63,551,923
	c) Terminated Members		23,168,934
	d) Members and Beneficiaries Receiving Payments		226,149,566
	e) Total	$	947,684,120
2.	Present Value of Future Employer Normal Costs	$	98,338,103
3.	Present Value of Future Employee Contributions	$	98,425,134
4.	Entry Age Normal Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]	$	438,050,460
	b) Transferred Members (1b)		63,551,923
	c) Terminated Members (1c)		23,168,934
	d) Members and Beneficiaries Receiving Payments (1d)		226,149,566
	e) Total	$	750,920,883
5.	Actuarial Value of Assets	$	606,857,292
6.	Unfunded Accrued Liability [(4e) – (5)]	$	144,063,591

(Gain)/Loss Analysis 6/30/09 – 6/30/10

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

A	**Total (Gain)/Loss for the Year***		
1.	Unfunded Accrued Liability (UAL) as of 6/30/09	$	140,076,051
2.	Expected Payment on the UAL during 2009/2010		6,708,316
3.	Interest through 6/30/10 [.0775 x (A1) - ((1.0775)$^{1/2}$ - 1) x (A2)]		10,600,797
4.	Expected UAL before all other changes [(A1) - (A2) + (A3)]		143,968,532
5.	Change due to plan changes		0
6.	Change due to assumption change		0
7.	Expected UAL after all other changes [(A4) + (A5) + (A6)]		143,968,532
8.	Actual UAL as of 6/30/10		144,063,591
9.	Total (Gain)/Loss for 2009/2010 [(A8) - (A7)]	$	95,059
B	**Contribution (Gain)/Loss for the Year**		
1.	Expected Contribution (Employer and Employee)	$	32,656,193
2.	Interest on Expected Contributions		1,241,816
3.	Actual Contributions		34,279,603
4.	Interest on Actual Contributions		1,303,550
5.	Expected Contributions with Interest [(B1) + (B2)]		33,898,009
6.	Actual Contributions with Interest [(B3) + (B4)]		35,583,153
7.	Contribution (Gain)/Loss [(B5) - (B6)]	$	(1,685,144)
C	**Asset (Gain)/Loss for the Year**		
1.	Actuarial Value of Assets as of 6/30/09 Including Receivables	$	556,378,430
2.	Receivables as of 6/30/09		1,171,689
3.	Actuarial Value of Assets as of 6/30/09		555,206,741
4.	Contributions Received		34,279,603
5.	Benefits and Refunds Paid		(17,811,222)
6.	Transfers/Misc. Adjustments		(367,668)
7.	Expected Int. [.0775 x (C3) + ((1.0775)$^{1/2}$ - 1) x ((C4) + (C5) + (C6))]		43,640,784
8.	Expected Assets as of 6/30/10 [(C3) + (C4) + (C5) + (C6) + (C7)]		614,948,238
9.	Receivables as of 6/30/10		1,171,415
10.	Expected Assets Including Receivables		616,119,653
11.	Actual Actuarial Value of Assets as of 6/30/10		606,857,292
12.	Asset (Gain)/Loss [(C10) - (C11)]	$	9,262,361
D	**Liability (Gain)/Loss for the Year**		
1.	Total (Gain)/Loss (A9)	$	95,059
2.	Contribution (Gain)/Loss (B7)		(1,685,144)
3.	Asset (Gain)/Loss (C12)		9,262,361
4.	Liability (Gain)/Loss [(D1) - (D2) - (D3)]	$	(7,482,158)

Development of the (Gain)/Loss Balance as of 6/30/10**

1.	(Gain)/Loss Balance as of 6/30/09	$	86,569,871
2.	Payment Made on the Balance during 2009/2010		4,291,394
3.	Interest through 6/30/10 [.0775 x (1) - ((1.0775)$^{1/2}$ - 1) x (2)]		6,545,976
4.	Scheduled (Gain)/Loss Balance as of 6/30/10 [(1) - (2) + (3)]	$	88,824,453

* The Total (Gain)/Loss for 2009/2010 is being amortized over a fixed and declining 30-year period and is shown as "Special (Gain)/Loss" in the "Schedule of Amortization Bases" on the following page.

** This (Gain)/Loss represents the 6/30/10 balance of the accumulation of (gains)/losses through 6/30/08 and is amortized using a rolling 30-year period. Gains and losses incurred after 6/30/2011 will again accumulate to this base.

Schedule of 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, 2010).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2012/2013).

This two year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution rates well in advance of the start of the fiscal year.

The Unfunded Liability is used to determine the employer contribution 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 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 2012/2013		
Reason for Base	Date Established	Amorti-zation Period	Balance 6/30/10	Expected Payment 2010/2011	Balance 6/30/11	Expected Payment 2011/2012	Balance 6/30/12	Scheduled Payment for 2012–2013	Payment as Percent-age of Payroll
BENEFIT CHANGE	06/30/05	14	$2,999,288	$262,843	$2,958,895	$271,385	$2,906,504	$280,205	0.149%
ASSUMPTION CHANGE	06/30/07	13	$23,329,477	$2,139,741	$22,916,403	$2,209,282	$22,399,130	$2,281,084	1.210%
ARNETT CASE	06/30/07	13	$186,370	$17,094	$183,070	$17,649	$178,938	$18,223	0.010%
ASSETS CHANGE	06/30/07	13	$(156,982)	$(14,398)	$(154,203)	$(14,866)	$(150,722)	$(15,349)	(0.008%)
METHOD CHANGE	06/30/07	14	$(1,652,242)	$(144,794)	$(1,629,991)	$(149,500)	$(1,601,130)	$(154,359)	(0.082%)
BENEFIT CHANGE	06/30/08	17	$(335,411)	$(26,181)	$(334,229)	$(27,032)	$(332,072)	$(27,910)	(0.015%)
(GAIN)/LOSS	06/30/08	30	$88,824,454	$5,333,996	$90,171,517	$5,414,888	$91,539,010	$5,497,007	2.915%
ASSUMPTION CHANGE	06/30/09	19	$14,542,447	$723,480	$14,918,495	$1,126,811	$14,905,018	$1,163,433	0.617%
SPECIAL (GAIN)/LOSS	06/30/09	29	$18,832,133	$0	$20,291,624	$1,218,532	$20,599,356	$1,258,134	0.667%
SPECIAL (GAIN)/LOSS	06/30/10	30	$95,060	$0	$102,427	$0	$110,365	$6,628	0.004%
PAYMENT (GAIN)/LOSS	06/30/10	30	$(2,601,003)	$(695,836)	$(2,080,284)	$(522,076)	$(1,699,577)	$(102,061)	(0.054%)
TOTAL			**$144,063,591**	**$7,595,945**	**$147,343,724**	**$9,545,073**	**$148,854,820**	**$10,205,035**	**5.411%**

The special (gain)/loss bases were established using the temporary modification recognized in the 2009, 2010 and 2011 annual valuations. Unlike the gain/loss occurring in previous and subsequent years, the gain/loss recognized in the 2009, 2010, and 2011 annual valuations will be amortized over fixed and declining 30 year periods so that these annual gain/losses will be fully paid off in 30 years.

Reconciliation of Required Employer Contributions

	Percentage of Projected Payroll	Estimated $ Based on Projected Payroll
1. Contribution for 7/1/11 – 6/30/12 (from prior year annual report)	12.659%	$ 24,434,536
2. Effect of changes since the prior year annual valuation		
a) Effect of unexpected changes in demographics and financial results	0.185%	349,788
b) Effect of plan changes	0.000%	0
c) Effect of changes in Assumptions	0.000%	0
d) Effect of change in payroll	-	(562,000)
e) Effect of elimination of amortization base	0.000%	0
f) Effect of changes due to Fresh Start	0.000%	0
g) Net effect of the changes above [Sum of (a) through (f)]	0.185%	(212,212)
3. Contribution for 7/1/12 – 6/30/13 [(1)+(2g)]	12.844%	24,222,324

The contribution actually paid (item 1) may be different if a prepayment of unfunded actuarial liability is made or a plan change became effective after the prior year's actuarial valuation was performed.

Employer Contribution Rate History

The table below provides a recent history of the employer contribution rates for your plan, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made in the middle of the year.

Required By Valuation

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2008 - 2009	7.972%	3.660%	11.632%
2009 - 2010	7.920%	3.302%	11.222%
2010 - 2011	7.947%	3.780%	11.727%
2011 - 2012	7.517%	5.142%	12.659%
2012 - 2013	7.433%	5.411%	12.844%

Funding History

The Funding History below shows the recent history of the actuarial accrued liability, the market value of assets, the actuarial value of assets, funded ratios and the annual covered payroll. The Actuarial Value of Assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the Market Value of Assets is an indicator of the short-term solvency of the plan.

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Funded Ratio AVA	Funded Ratio MVA	Annual Covered Payroll
06/30/06	$ 487,058,643	$ 397,787,693	$ 418,041,897	81.7%	85.8%	$ 152,611,274
06/30/07	549,512,696	457,174,700	521,140,767	83.2%	94.8%	173,347,822
06/30/08	617,269,776	510,122,353	510,251,869	82.6%	82.7%	177,858,395
06/30/09	696,454,481	556,378,430	402,507,980	79.9%	57.8%	175,361,908
06/30/10	750,920,883	606,857,292	477,184,231	80.8%	63.5%	171,328,547

SUMMARY OF ASSETS

- **RECONCILIATION OF THE MARKET VALUE OF ASSETS**
- **DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS**
- **ASSET ALLOCATION**
- **CALPERS HISTORY OF INVESTMENT RETURNS**

Reconciliation of the Market Value of Assets

1.	Market Value of Assets as of 6/30/09 Including Receivables	$	402,507,980
2.	Receivables for Service Buybacks as of 6/30/09		1,171,689
3.	Market Value of Assets as of 6/30/09		401,336,291
4.	Employer Contributions		20,627,053
5.	Employee Contributions		13,652,550
6.	Benefit Payments to Retirees and Beneficiaries		(16,897,844)
7.	Refunds		(829,127)
8.	Lump Sum Payments		(84,251)
9.	Transfers and Miscellaneous Adjustments		(367,668)
10.	Investment Return		58,575,812
11.	Market Value of Assets as of 6/30/10	$	476,012,816
12.	Receivables for Service Buybacks as of 6/30/10		1,171,415
13.	Market Value of Assets as of 6/30/10 Including Receivables	$	477,184,231

Development of the Actuarial Value of Assets

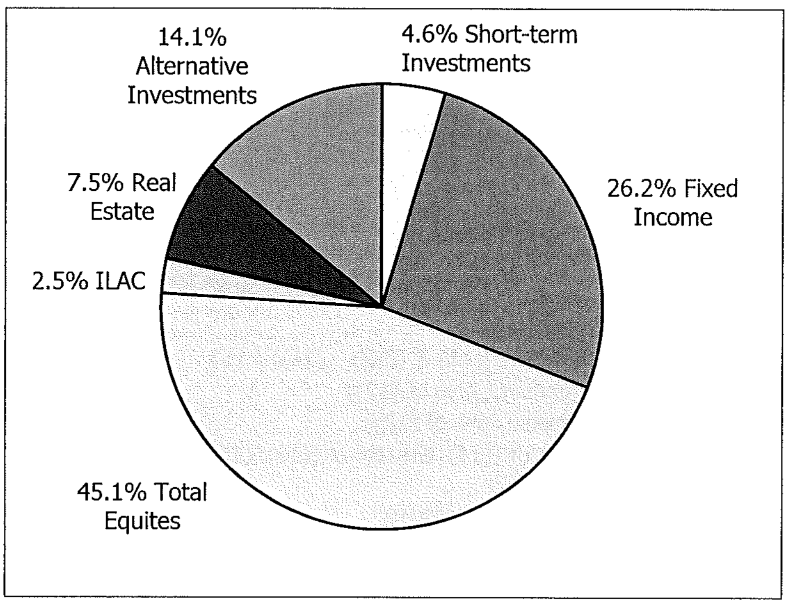
1.	Actuarial Value of Assets as of 6/30/09 Used For Rate Setting Purposes	$	556,378,430
2.	Receivables for Service Buybacks as of 6/30/09		1,171,689
3.	Actuarial Value of Assets as of 6/30/09		555,206,741
4.	Employer Contributions		20,627,053
5.	Employee Contributions		13,652,550
6.	Benefit Payments to Retirees and Beneficiaries		(16,897,844)
7.	Refunds		(829,127)
8.	Lump Sum Payments		(84,251)
9.	Transfers and Miscellaneous Adjustments		(367,668)
10.	Expected Investment Income at 7.75%		43,640,784
11.	Expected Actuarial Value of Assets	$	614,948,238
12.	Market Value of Assets as of 6/30/10	$	476,012,816
13.	Preliminary Actuarial Value of Assets [(11) + ((12) – (11)) / 15]		605,685,877
14.	Maximum Actuarial Value of Assets (130% of (12))		618,816,661
15.	Minimum Actuarial Value of Assets (70% of (12))		333,208,971
16.	Actuarial Value of Assets {Lesser of [(14), Greater of ((13), (15))]}		605,685,877
17.	Actuarial Value to Market Value Ratio		127.2%
18.	Receivables for Service Buybacks as of 6/30/10		1,171,415
19.	Actuarial Value of Assets as of 6/30/10 Used for Rate Setting Purposes	$	606,857,292

Asset Allocation

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class. The current target allocation was adopted by the Board in December 2010

The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirety as of June 30, 2010. The assets for CITY OF SACRAMENTO MISCELLANEOUS PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

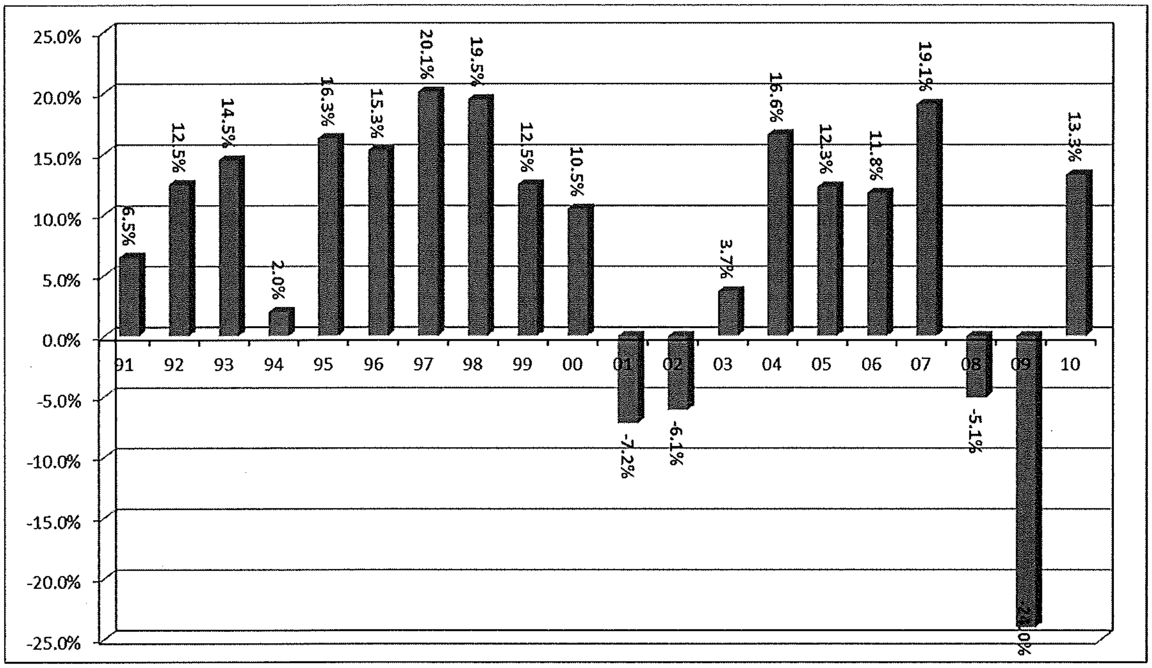
(A) Asset Class	(B) Market Value ($ Billion)	(C) Current Allocation	(D) Current Target
1) Short-term Investments	9.3	4.6%	4.0%
2) Total Global Fixed Income	53.4	26.2%	16.0%
3) Total Equities	91.9	45.1%	49.0%
4) Inflation Linked (ILAC)	5.0	2.5%	4.0%
5) Total Real Estate	15.2	7.5%	13.0%
6) Alternative Investments	28.7	14.1%	14.0%
Total Fund	203.5[1]	100.0%	100.0%



[1] Differences between investment values above and the values on the Summary of Investments on page 23 of the Comprehensive Annual Financial Report (Year Ended June 30, 2010) are due to differences in reporting methods. The Summary of Investments includes Net Investment Receivables/Payables.

CalPERS 20-Year History of Investment Returns

The following is a chart with historical annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30. Beginning with June 30, 2002 the figures are reported as gross of fees.



SUMMARY OF PARTICIPANT DATA

- **SUMMARY OF VALUATION DATA**
- **ACTIVE MEMBERS**
- **TRANSFERRED AND TERMINATED MEMBERS**
- **RETIRED MEMBERS AND BENEFICIARIES**

Summary of Valuation Data

	June 30, 2009	June 30, 2010
1. **Active Members**		
a) Counts	2,949	2,758
b) Average Attained Age	43.83	44.58
c) Average Entry Age to Rate Plan	33.72	33.63
d) Average Years of Service	10.11	10.95
e) Average Annual Covered Pay	$ 59,465	$ 62,121
f) Annual Covered Payroll	175,361,908	171,328,547
g) Projected Annual Payroll for Contribution Year	193,021,392	188,581,859
h) Present Value of Future Payroll	1,500,077,619	1,434,785,339
2. **Transferred Members**		
a) Counts	2,412	2,364
b) Average Attained Age	41.73	42.29
c) Average Years of Service	1.98	2.00
d) Average Annual Covered Pay	$ 75,355	$ 77,143
3. **Terminated Members**		
a) Counts	1,594	1,693
b) Average Attained Age	40.27	40.57
c) Average Years of Service	2.26	2.24
d) Average Annual Covered Pay	$ 36,123	$ 36,829
4. **Retired Members and Beneficiaries**		
a) Counts	1,150	1,302
b) Average Attained Age	61.64	61.98
c) Average Annual Benefits	$ 13,093	$ 13,648
5. **Active to Retired Ratio**	2.56	2.12

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

Active Members

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

Distribution of Active Members by Age and Service

Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	123	2	0	0	0	0	125
25-29	156	57	2	0	0	0	215
30-34	123	123	27	1	0	0	274
35-39	134	126	57	11	4	0	332
40-44	93	136	81	48	21	3	382
45-49	71	136	74	63	94	31	469
50-54	74	94	69	51	92	71	451
55-59	43	67	42	46	65	58	321
60-64	20	31	31	17	21	24	144
65 and over	14	13	7	4	5	2	45
All Ages	851	785	390	241	302	189	2,758

Distribution of Average Annual Salaries by Age and Service

Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	$25,790	$47,272	$0	$0	$0	$0	$26,133
25-29	40,186	53,824	61,371	0	0	0	43,999
30-34	52,000	62,734	64,873	74,482	0	0	58,169
35-39	55,663	65,896	68,272	64,992	59,941	0	62,072
40-44	52,028	65,747	73,760	69,536	62,435	77,997	64,496
45-49	54,404	66,139	71,281	70,987	71,826	71,492	67,319
50-54	64,942	64,246	70,473	70,245	72,609	72,204	68,950
55-59	63,834	63,705	72,943	67,850	70,982	76,221	69,260
60-64	64,433	65,075	63,914	77,417	84,339	71,316	70,042
65 and over	34,734	65,630	56,858	59,941	64,494	65,470	54,014
All Ages	$48,558	$64,071	$70,053	$69,953	$71,821	$73,228	$62,121

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age and Service

Attained Age	Years of Service at Valuation Date 0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	23	0	0	0	0	0	23	$55,330
25-29	214	1	0	0	0	0	215	65,441
30-34	379	12	0	0	0	0	391	76,850
35-39	386	13	2	1	0	0	402	79,491
40-44	388	20	13	5	1	0	427	83,124
45-49	317	27	15	11	3	0	373	83,899
50-54	215	25	16	5	5	0	266	75,750
55-59	127	24	13	4	4	1	173	67,946
60-64	63	14	5	0	1	0	83	67,274
65 and over	7	2	1	1	0	0	11	67,491
All Ages	2119	138	65	27	14	1	2,364	77,143

Distribution of Terminated Participants with Funds on Deposit by Age and Service

Attained Age	Years of Service at Valuation Date 0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	72	0	0	0	0	0	72	$28,041
25-29	263	4	0	0	0	0	267	30,994
30-34	271	8	1	0	0	0	280	33,480
35-39	258	18	1	1	0	0	278	36,779
40-44	178	24	7	1	0	0	210	39,072
45-49	152	35	14	11	3	3	218	40,966
50-54	130	33	14	7	2	2	188	46,459
55-59	72	20	8	3	0	0	103	40,875
60-64	40	2	2	1	0	0	45	31,504
65 and over	30	2	0	0	0	0	32	29,989
All Ages	1466	146	47	24	5	5	1,693	36,829

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	3	3
30-34	0	2	0	0	0	1	3
35-39	0	2	5	0	0	1	8
40-44	0	2	16	1	1	2	22
45-49	0	8	40	1	2	3	54
50-54	95	18	46	1	1	5	166
55-59	216	15	35	3	0	9	278
60-64	262	18	34	0	0	13	327
65-69	179	7	14	0	0	7	207
70-74	112	3	6	1	0	11	133
75-79	50	3	2	0	0	10	65
80-84	21	1	2	0	0	4	28
85 and Over	5	0	0	0	0	2	7
All Ages	940	79	200	7	4	71	1,301

Distribution of Average Annual Amounts for Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	$0	$0	$0	$0	$0	$798	$798
30-34	0	7,615	0	0	0	756	5,329
35-39	0	311	3,439	0	0	756	2,322
40-44	0	15,888	4,313	61	56	17,851	6,209
45-49	0	5,670	5,358	9,671	67	3,979	5,211
50-54	9,401	5,906	11,300	7,978	15	10,418	9,514
55-59	13,735	9,416	15,809	23,617	0	4,735	13,578
60-64	18,948	8,769	20,591	0	0	11,093	18,246
65-69	16,937	14,789	21,672	0	0	9,422	16,930
70-74	12,115	9,568	20,739	15,536	0	10,780	12,362
75-79	9,249	16,395	18,647	0	0	6,709	9,477
80-84	6,316	4,811	15,516	0	0	6,375	6,928
85 and Over	3,421	0	0	0	0	4,245	3,656
All Ages	$14,707	$8,666	$12,850	$14,871	$51	$8,114	$13,651

Retired Members and Beneficiaries (continued)

Distribution of Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	567	22	50	5	1	39	684
5-9	241	33	52	2	1	17	346
10-14	91	17	42	0	0	6	156
15-19	35	6	39	0	1	7	88
20-24	3	1	17	0	0	2	23
25-29	3	0	0	0	1	0	4
30 and Over	0	0	0	0	0	0	0
All Years	940	79	200	7	4	71	1,301

Distribution of Average Annual Amounts for Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	$16,720	$7,360	$12,215	$14,521	$56	$9,138	$15,617
5-9	13,256	9,461	12,116	15,745	38	6,765	12,380
10-14	10,313	8,572	12,078	0	0	6,695	10,459
15-19	5,249	10,158	14,011	0	96	5,984	9,466
20-24	4,930	3,795	16,201	0	0	11,312	13,766
25-29	4,305	0	0	0	15	0	3,232
30 and Over	0	0	0	0	0	0	0
All Years	$14,707	$8,666	$12,850	$14,871	$51	$8,114	$13,651

* Counts of members do not include alternate payees receiving benefits while the member is still working. Therefore, the total counts may not match information on page 25 of the report. Multiple records may exist for those who have service in more than one coverage group. This does not result in double counting of liabilities.

APPENDICES

- **APPENDIX A - STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**
- **APPENDIX B - SUMMARY OF PRINCIPAL PLAN PROVISIONS**
- **APPENDIX C - GASB STATEMENT NO. 27**
- **APPENDIX D – INVESTMENT RETURN SENSITIVITY ANALYSIS**
- **APPENDIX E – GLOSSARY OF ACTUARIAL TERMS**

APPENDIX A

- **STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**

Actuarial Data

As stated in the Actuarial Certification, the data which serves as the basis of this valuation has been obtained from the various CalPERS databases. We have reviewed the valuation data and believe that it is reasonable and appropriate in aggregate. We are unaware of any potential data issues that would have a material effect on the results of this valuation, except that data does not always contain the latest salary information for former members now in reciprocal systems and does not recognize the potential for unusually large salary deviation in certain cases such as elected officials. Therefore, salary information in these cases may not be accurate. These situations are relatively infrequent, however, and when they do occur, they generally do not have a material impact on the employer contribution rates.

Actuarial Methods

Funding Method

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

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

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years' gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

Additional contributions will be required for any plan or pool if their cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis of the plan to either:

- Increase by at least 15% by June 30, 2043; or
- Reach a level of 75% funded by June 30, 2043

The necessary additional contribution will be obtained by changing the amortization period of the gains and losses prior to 2009 to a period which will result in the satisfaction of the above criteria. CalPERS actuaries will reassess the criteria above when performing each future valuation to determine whether or not additional contributions are necessary.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. As mentioned above, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. However, in the case of a 30-year fresh start, just the unfunded liability not already in the (gain)/loss base (which already is amortized over 30 years) will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

1) when a positive payment would be required on a negative unfunded actuarial liability (or conversely a negative payment on a positive unfunded actuarial liability); or

2) when there are excess assets, rather than an unfunded liability. In this situation a 30-year fresh start is used, unless a longer fresh start is needed to avoid a negative total rate.

It should be noted that the actuary may choose to use a fresh start under other circumstances. In all cases, the fresh start period is set by the actuary at what he deems appropriate, and will not be less than five years nor greater than 30 years.

Asset Valuation Method

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets.

In June 2009, the CalPERS Board adopted changes to the asset smoothing method in order to phase in over a three year period the impact of the -24% investment loss experienced by CalPERS in fiscal year 2008-2009. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter

Miscellaneous

Superfunded Status

If a rate plan is superfunded (actuarial value of assets exceeds the present value of benefits), as of the most recently completed annual valuation, the employer may cover their employees' member contributions (both taxed and tax-deferred) using their employer assets during the fiscal year for which this valuation applies. This would entail transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts. This change was implemented effective January 1, 1999 pursuant to Chapter 231 (Assembly Bill 2099) which added Government Code Section 20816.

Superfunded status applies only to individual plans, not risk pools. For rate plans within a risk pool, actuarial value of assets is the sum of the rate plan's side fund plus the rate plan's pro-rata share of non-side fund assets.

Internal Revenue Code Section 415

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

Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code Section 401(a)(17) were taken into account in this valuation. Each year the impact of any changes in this compensation limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base.

Actuarial Assumptions

Economic Assumptions

Investment Return

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

Salary Growth

Annual increases vary by category, entry age, and duration of service.

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