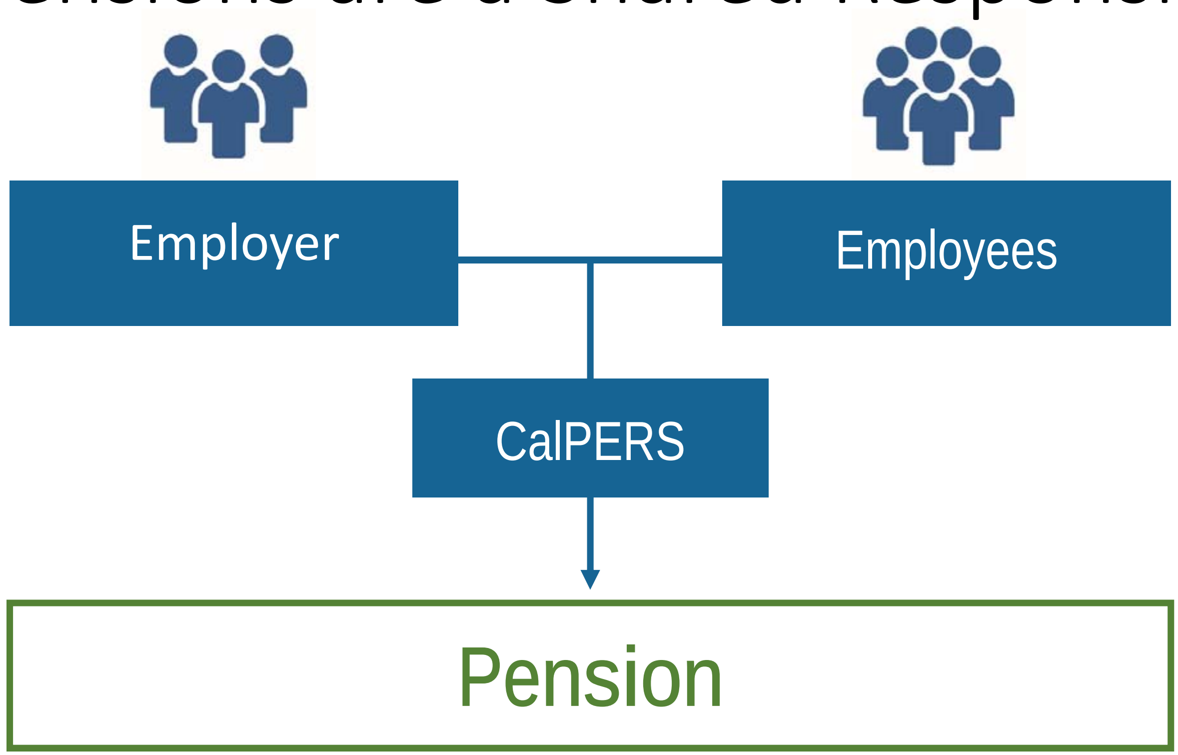
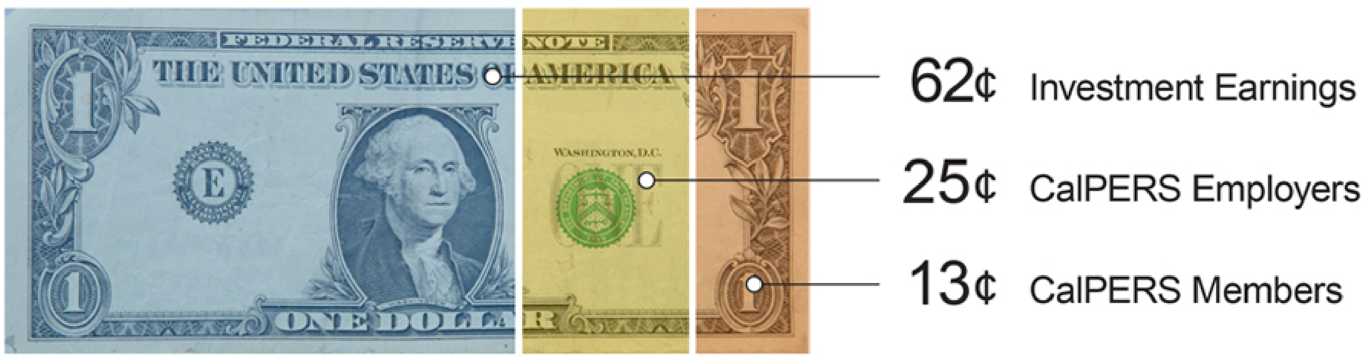
Pensions are a Shared Responsibility



Shared Responsibility

Every dollar paid to CalPERS retirees comes from three sources:



Approved Discount Rate Phase-In for Public Agencies

7.5% → 7.0%

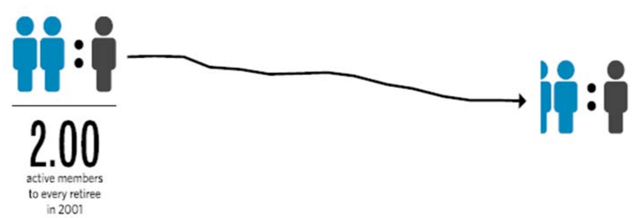
FY 2018-19 – 7.375%

FY 2019-20 – 7.25%

FY 2020-21 – 7.0%

By The Numbers

- According to CalPERS:
  - In 2001 there were two active workers for every retiree.
  - In 2016 there were 1.3 active employees for every retiree
  - It is projected that within the next 10-20 years there will be 0.6 workers for every retiree (CalPERS 2016 Annual Review of funding levels and Risk September 20, 2016).

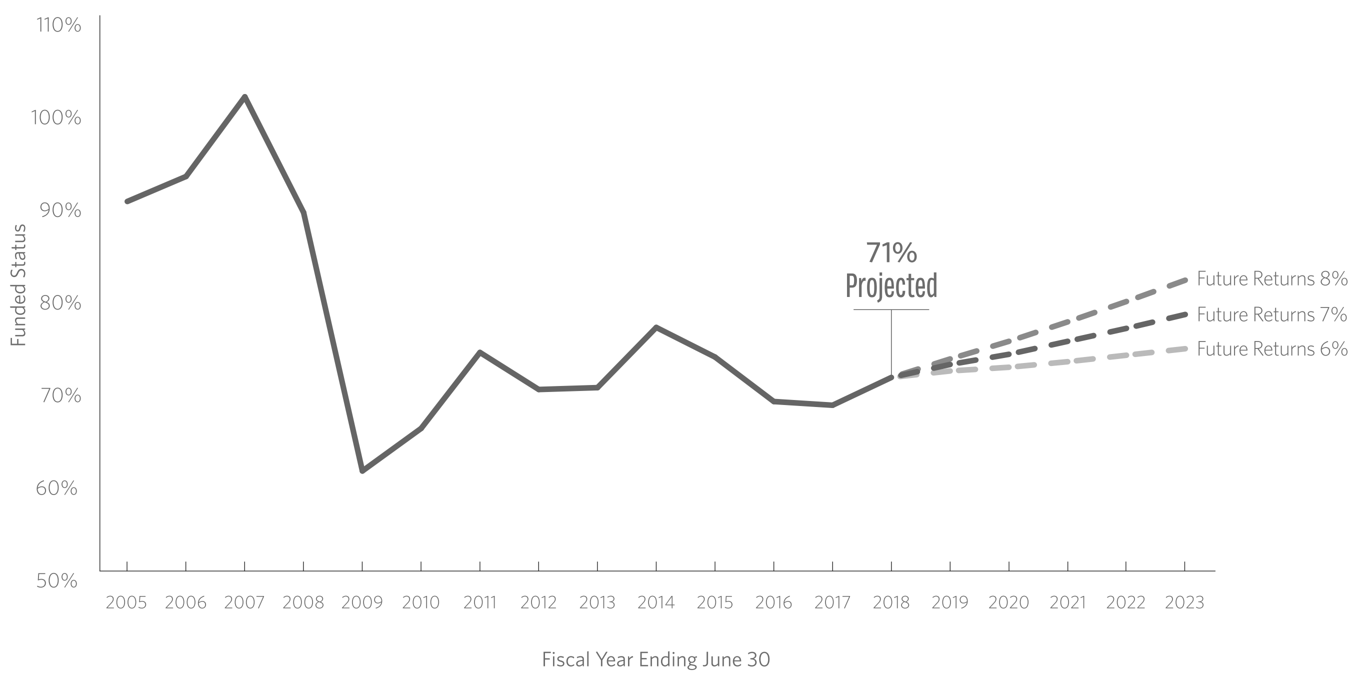


Funding Levels

The overall level of funding of the system has improved as a result of the higher than expected investment returns for the last two fiscal years, despite the lowering of the discount rate to 7.00 percent. While definitive results will not be available until the annual valuations as of June 30, 2018 are completed, the estimated funded status at June 30, 2018 is shown in the chart below.

The chart below also provides the projected funded status over the next five years reflecting the assumed 7.00 percent annual investment return, with alternative annual investment returns at 6 percent and 8 percent to demonstrate the sensitivity of the funded status to future investment returns.

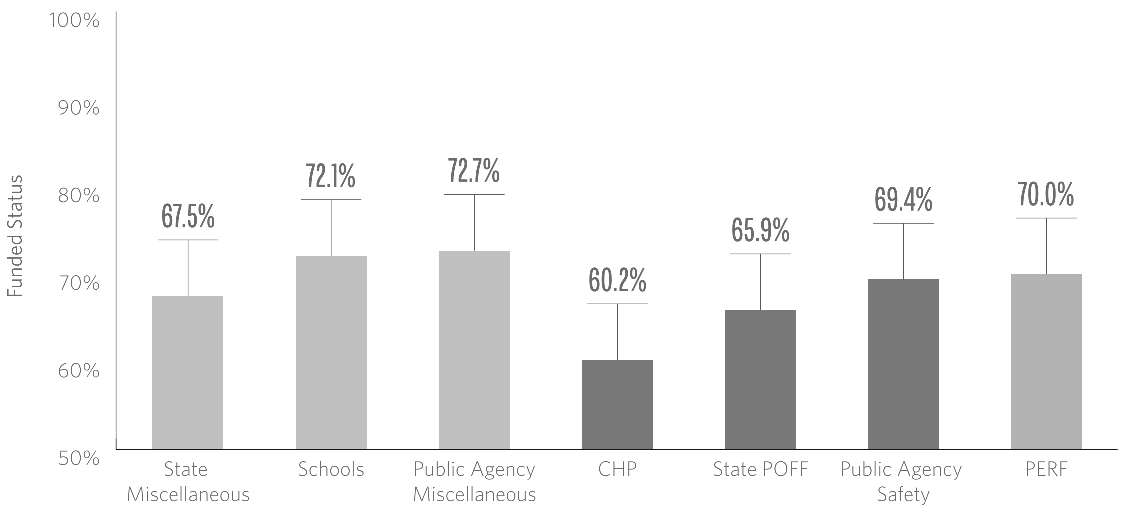
PERF Funded Status based on Market Value of Assets (June 30, 2005 to June 30, 2018)



Recent fluctuations in the funded status are within the expected variation due to the investment volatility inherent in the asset allocation last adopted by the board. The overall funded status of the system remains a concern. However, the recent adoption of a new Amortization Policy has decreased the period for paying down the unfunded liability, while addressing the generational equity concerns.

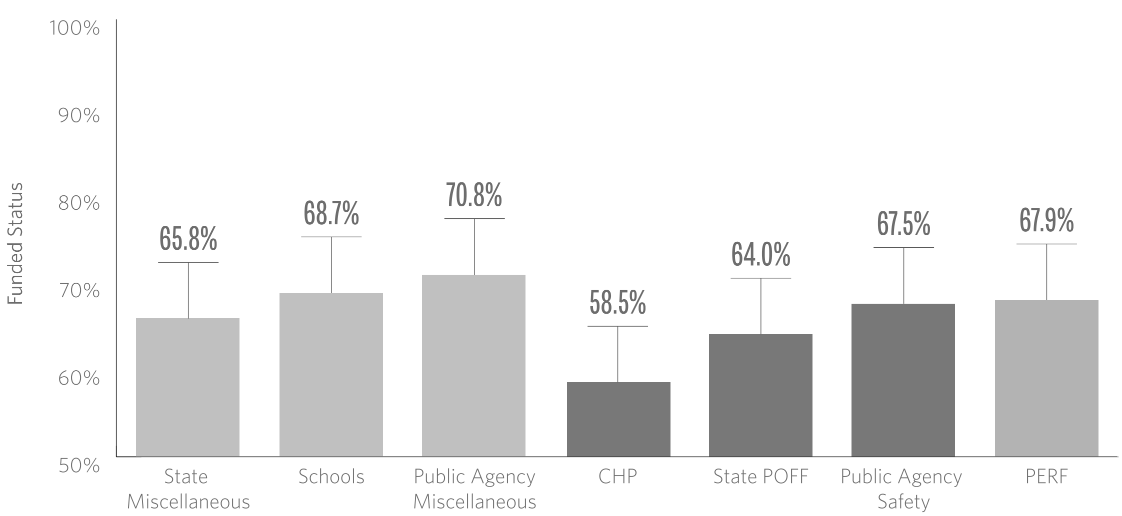
It should be noted that the system is a conglomeration of multiple plans and several risk sharing pools. Each of these pools and the non-pooled plans are funded separately. The charts on the next page show the funding levels of the various components of the Public Employees' Retirement Fund (PERF).

Funded Status Based on June 30, 2017 Funding Valuations



The chart above shows that the average funded status of public agency miscellaneous and safety plans is greater than the funded status of corresponding state plans. Based on the results of the funding valuations at June 30, 2017, the overall funding position of the PERF is 70 percent (with a discount rate of 7.375 percent for the schools pool and 7.25 percent for state and public agency).

Funded Status Based on June 30, 2017 Funding Valuations using a 7.00% Discount Rate



The chart above shows funded status of plans based on the valuation data at June 30, 2017 using the ultimate discount rate of 7.00 percent and the new demographic assumptions.

Retirement Contract Information

Contract Number: 30146 **Contract Status:** Active

Rate History

Rate Effective Date	Rate Type	Total Employer Rate	Effective Employer Rate	Valuation Report	Rate Replaced
07/01/2019	Annual	22.434	22.434	View	No
07/01/2018	Annual	21.206	21.206	View	No
07/01/2017	Annual	20.31	20.31	View	No
07/01/2016	Annual	20.123	20.123	View	No
07/01/2015	Annual	19.263	19.263	View	No
07/01/2014	Annual	42.014	42.014	View	No
07/01/2013	Annual	41.134	41.134	View	No
07/01/2012	Annual	38.328	38.328	View	No
07/01/2011	Converted Rate	38.205	38.205		No
07/01/2010	Converted Rate	33.873	33.873		No
07/01/2009	Converted Rate	34.395	34.395		No
07/01/2008	Converted Rate	33.935	33.935		No
07/01/2007	Converted Rate	32.29	32.29		No
07/01/2006	Converted Rate	30.049	30.049		No
07/01/2005	Converted Rate	29.216	29.216		No
07/01/2004	Converted Rate	23.644	23.644		No
07/01/2003	Converted Rate	6.308	6.308		No
07/01/2002	Converted Rate	2.107	2.107		No
07/16/2001	Converted Rate	2.277	2.277		No
07/01/2001	Converted Rate	0.0	0.0		No
07/01/2000	Converted Rate	4.271	4.271		No
07/01/1999	Converted Rate	3.632	3.632		No
07/01/1998	Converted Rate	9.837	9.837		No
07/01/1997	Converted Rate	8.27	8.27		No
07/01/1996	Converted Rate	15.748	15.748		No

Showing records 1 - 25 | First << Previous 1 2 Next >> Last | View Max

Current Rate Details

Current Rate Details

Rate Plan Identifier: 724
Member Category: Safety - Police
Risk Pool: Yes
Superfunded: No

Pre-paid: No

0% Rate Prepayment Amount: $0.00
Rate Plan Effective Date: 07/01/2018

Normal Cost Rate: 19.416%
Unfunded Actuarial Liability Rate: 0.0%
Phase Out Rate: 0.0%
Side Fund Rate: 0.0%
Class 1 Surcharge Rate: 1.79%

Total Employer Rate: 21.206%

Prepaid Rate Adjustment: 0.0%
Effective Employer Rate: 21.206%

Unfunded Accrued Liability

Unfunded Accrued Liability Monthly Amount: $112,176.79

Unfunded Accrued Liability Prepayment Amount: $1,299,070.00

Plan's Funded Status

		June 30, 2016		June 30, 2017
1. Present Value of Projected Benefits (PVB)	$	60,330,282	$	63,270,391
2. Entry Age Normal Accrued Liability (AL)		53,249,232		56,052,781
3. Plan's Market Value of Assets (MVA)		35,496,400		38,247,955
4. Unfunded Accrued Liability (UAL) [(2) - (3)]		17,752,832		17,804,826
5. Funded Ratio [(3) / (2)]		66.7%		68.2%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Statement of Actuarial Data, Methods and Assumptions" of the Section 2 report. The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.25% Return for Fiscal Year 2017-18)				
Fiscal Year	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	22.434%	23.8%	23.8%	23.8%	23.8%	23.8%
UAL Payment	$1,552,530	$1,706,000	$1,884,000	$2,035,000	$2,134,000	$1,588,000

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A of Section 2. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted changes in the discount rate for next year's valuation in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for six years from Fiscal Year 2019-20 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

Amortization Schedule and Alternatives

			Alternate Schedules			
	Current Amortization Schedule		15 Year Amortization		10 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2019	17,897,027	1,552,530	17,897,027	1,627,393	17,897,027	2,219,577
6/30/2020	17,586,736	1,691,898	17,509,207	1,674,181	16,895,932	2,283,390
6/30/2021	17,109,618	1,836,606	17,044,817	1,722,313	15,756,173	2,349,037
6/30/2022	16,448,048	1,951,886	16,496,912	1,771,830	14,465,795	2,416,572
6/30/2023	15,619,127	2,012,434	15,858,003	1,822,770	13,011,925	2,486,049
6/30/2024	14,667,405	1,416,915	15,120,019	1,875,174	11,380,699	2,557,522
6/30/2025	14,263,413	1,457,651	14,274,260	1,929,086	9,557,189	2,631,051
6/30/2026	13,787,944	1,499,558	13,311,353	1,984,547	7,525,327	2,706,694
6/30/2027	13,234,604	1,542,671	12,221,198	2,041,603	5,267,818	2,784,511
6/30/2028	12,596,498	1,587,023	10,992,919	2,100,299	2,766,051	2,864,566
6/30/2029	11,866,199	1,632,649	9,614,803	2,160,682		
6/30/2030	11,035,701	1,679,588	8,074,239	2,222,802		
6/30/2031	10,096,381	1,727,876	6,357,653	2,286,707		
6/30/2032	9,038,953	1,696,254	4,450,433	2,352,450		
6/30/2033	7,937,610	1,661,385	2,336,854	2,420,083		
6/30/2034	6,792,530	1,593,963				
6/30/2035	5,634,255	1,483,347				
6/30/2036	4,506,562	1,365,052				
6/30/2037	3,419,618	700,883				
6/30/2038	2,941,696	647,075				
6/30/2039	2,484,847	623,177				
6/30/2040	2,019,627	641,093				
6/30/2041	1,502,123	513,967				
6/30/2042	1,078,755	484,421				
6/30/2043	655,291	386,832				
6/30/2044	302,191	213,404				
6/30/2045	103,095	71,799				
6/30/2046	36,213	37,503				
6/30/2047						
6/30/2048						
Totals		**33,709,439**		**29,991,920**		**25,298,970**
Interest Paid		**15,812,413**		**12,094,893**		**7,401,944**
Estimated Savings				**3,717,520**		**8,410,470**

* This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2017. For Projected Employer Contributions, please see page 5.

Retirement Contract Information

Contract Number: 30146 **Contract Status:** Active

Rate History

Rate Effective Date	Rate Type	Total Employer Rate	Effective Employer Rate	Valuation Report	Rate Replaced
07/01/2019	Annual	13.786	13.786	View	No
07/01/2018	Annual	12.965	12.965	View	No
07/01/2017	Annual	12.729	12.729	View	No
07/01/2016	Annual	12.821	12.821	View	No
07/01/2015	Annual	11.923	11.923	View	No
07/01/2014	Annual	12.25	12.25		No
07/01/2013	Annual	12.25	12.25		No
01/01/2013	Annual	12.25	12.25	View	No

Current Rate Details

Current Rate Details

Rate Plan Identifier: 25755
Member Category: Safety - Police
Risk Pool: Yes
Superfunded: No

Pre-paid: No

0% Rate Prepayment Amount: $0.00
Rate Plan Effective Date: 07/01/2018

Normal Cost Rate: 12.141%
Unfunded Actuarial Liability Rate: 0.0%
Phase Out Rate: 0.0%
Side Fund Rate: 0.0%
Class 1 Surcharge Rate: 1.574%

Total Employer Rate: **12.965%**

Prepaid Rate Adjustment: 0.0%
Effective Employer Rate: **12.965%**

Unfunded Accrued Liability

Unfunded Accrued Liability Monthly Amount: $108.72

Unfunded Accrued Liability Prepayment Amount: $1,259.00

Plan's Funded Status

		June 30, 2016		June 30, 2017
1. Present Value of Projected Benefits (PVB)	$	3,762,739	$	5,220,307
2. Entry Age Normal Accrued Liability (AL)		411,169		753,956
3. Plan's Market Value of Assets (MVA)		370,623		712,180
4. Unfunded Accrued Liability (UAL) [(2) - (3)]		40,546		41,776
5. Funded Ratio [(3) / (2)]		90.1%		94.5%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Statement of Actuarial Data, Methods and Assumptions" of the Section 2 report. The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.25% Return for Fiscal Year 2017-18)				
Fiscal Year	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	13.786%	13.9%	13.9%	13.9%	13.9%	13.9%
UAL Payment	$8,336	$9,600	$11,000	$12,000	$14,000	$16,000

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A of Section 2. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted changes in the discount rate for next year's valuation in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for six years from Fiscal Year 2019-20 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

Amortization Schedule and Alternatives

			Alternate Schedules			
	Current Amortization Schedule		10 Year Amortization		5 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2019	91,669	8,336	91,669	11,369	91,669	20,600
6/30/2020	89,683	8,575	86,542	11,696	76,981	21,193
6/30/2021	87,304	8,822	80,704	12,032	60,615	21,802
6/30/2022	84,498	9,075	74,094	12,378	42,431	22,429
6/30/2023	81,225	9,336	66,648	12,734	22,280	23,074
6/30/2024	77,445	9,605	58,292	13,100		
6/30/2025	73,113	9,881	48,952	13,476		
6/30/2026	68,181	10,165	38,545	13,864		
6/30/2027	62,598	10,457	26,982	14,262		
6/30/2028	56,306	10,758	14,168	14,672		
6/30/2029	49,247	11,067				
6/30/2030	41,357	11,385				
6/30/2031	32,564	11,713				
6/30/2032	22,795	12,049				
6/30/2033	11,969	12,396				
6/30/2034						
6/30/2035						
6/30/2036						
6/30/2037						
6/30/2038						
6/30/2039						
6/30/2040						
6/30/2041						
6/30/2042						
6/30/2043						
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
Totals		**153,620**		**129,582**		**109,097**
Interest Paid		**61,951**		**37,913**		**17,428**
Estimated Savings				**24,038**		**44,523**

* This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2017. For Projected Employer Contributions, please see page 5.

Retirement Contract Information

Contract Number: 30146 **Contract Status:** Active

Rate History

Rate Effective Date	Rate Type	Total Employer Rate	Effective Employer Rate	Valuation Report	Rate Replaced
07/01/2019	Annual	10.012	10.012	View	No
07/01/2018	Annual	9.636	9.636	View	No
07/01/2017	Annual	9.701	9.701	View	No
07/01/2016	Annual	28.061	28.061	View	No
07/01/2015	Annual	26.362	26.362	View	No
07/01/2014	Annual	24.453	24.453	View	No
07/01/2013	Annual	24.584	24.584	View	No
07/01/2012	Annual	22.429	22.429	View	No
07/01/2011	Converted Rate	21.648	21.648		No
07/01/2010	Converted Rate	17.251	17.251		No
07/01/2009	Converted Rate	17.064	17.064		No
07/01/2008	Converted Rate	17.827	17.827		No
07/01/2007	Converted Rate	16.928	16.928		No
07/01/2006	Converted Rate	16.028	16.028		No
07/01/2005	Converted Rate	16.026	16.026		No
07/01/2004	Converted Rate	10.717	10.717		No
07/01/2003	Converted Rate	0.0	0.0		No
08/01/2002	Converted Rate	0.0	0.0		No
07/01/2002	Converted Rate	0.0	0.0		No
07/01/2001	Converted Rate	0.0	0.0		No
07/01/2000	Converted Rate	0.0	0.0		No
07/01/1999	Converted Rate	0.0	0.0		No
07/01/1998	Converted Rate	5.12	5.12		No
07/01/1997	Converted Rate	7.1	7.1		No
07/01/1996	Converted Rate	7.574	7.574		No

Showing records 1 - 25 | First << Previous 1 2 Next >> Last | View Max

Current Rate Details

Current Rate Details

Rate Plan Identifier: 722
Member Category: Miscellaneous
Risk Pool: No
Superfunded: No

Pre-paid: No

0% Rate Prepayment Amount: $0.00
Rate Plan Effective Date: 07/01/2018

Normal Cost Rate: 9.636%
Unfunded Actuarial Liability Rate: 0.0%
Phase Out Rate: 0.0%
Side Fund Rate: 0.0%
Class 1 Surcharge Rate: 0.0%

Total Employer Rate: **9.636%**

Prepaid Rate Adjustment: 0.0%
Effective Employer Rate: **9.636%**

Unfunded Accrued Liability

Unfunded Accrued Liability Monthly Amount: $191,526.00

Unfunded Accrued Liability Prepayment Amount: $2,217,973.00

Plan's Funded Status

		June 30, 2016		June 30, 2017
1. Present Value of Projected Benefits	$	106,064,153	$	111,332,000
2. Entry Age Normal Accrued Liability		95,718,202		99,816,584
3. Market Value of Assets (MVA)	$	60,018,874	$	64,037,322
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$	35,699,328	$	35,779,262
5. Funded Ratio [(3) / (2)]		62.7%		64.2%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Actuarial Methods and Assumptions." The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below do not reflect that the normal cost will decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	**Projected Future Employer Contributions (Assumes 7.25% Return for Fiscal Year 2017-18)**				
Fiscal Year	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	10.012%	10.7%	10.7%	10.7%	10.7%	10.7%
UAL Payment	2,659,585	2,919,000	3,221,000	3,366,000	3,518,000	3,680,000
*Total as a % of Payroll**	*40.7%*	*43.7%*	*46.1%*	*46.7%*	*47.3%*	*48.0%*
Projected Payroll	*8,653,243*	*8,869,614*	*9,113,527*	*9,364,150*	*9,621,663*	*9,886,259*

*Illustrative only and based on the projected payroll shown.

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted change in the discount rate for the next valuation in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for six years from Fiscal Year 2019-20 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

Amortization Schedule and Alternatives

	Current Amortization Schedule*		Alternate Schedules			
			20 Year Amortization		15 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2019	36,788,154	2,659,585	36,788,154	2,749,512	36,788,154	3,345,180
6/30/2020	36,700,985	2,901,910	36,607,858	2,828,560	35,990,974	3,441,354
6/30/2021	36,356,545	3,149,551	36,332,626	2,909,881	35,036,398	3,540,293
6/30/2022	35,730,669	3,236,062	35,953,222	2,993,540	33,910,154	3,642,077
6/30/2023	34,969,823	3,324,965	35,459,673	3,079,605	32,596,848	3,746,786
6/30/2024	34,061,748	3,420,556	34,841,213	3,168,143	31,079,888	3,854,506
6/30/2025	32,988,843	3,274,377	34,086,222	3,259,227	29,341,393	3,965,324
6/30/2026	31,989,537	3,388,938	33,182,165	3,352,930	27,362,092	4,079,327
6/30/2027	30,799,141	3,486,369	32,115,525	3,449,327	25,121,229	4,196,607
6/30/2028	29,421,542	3,580,572	30,871,723	3,548,495	22,596,445	4,317,260
6/30/2029	27,846,507	3,683,512	29,435,046	3,650,514	19,763,665	4,441,381
6/30/2030	26,050,674	3,789,415	27,788,557	3,755,467	16,596,967	4,569,071
6/30/2031	24,014,972	3,490,458	25,914,007	3,863,436	13,068,446	4,700,431
6/30/2032	22,141,285	3,430,776	23,791,737	3,974,510	9,148,067	4,835,569
6/30/2033	20,193,562	3,129,274	21,400,573	4,088,777	4,803,511	4,974,591
6/30/2034	18,416,870	3,001,896	18,717,712	4,206,330		
6/30/2035	16,643,282	2,806,493	15,718,605	4,327,261		
6/30/2036	14,943,471	2,597,374	12,376,824	4,451,670		
6/30/2037	13,336,992	2,558,306	8,663,924	4,579,656		
6/30/2038	11,654,501	2,514,854	4,549,294	4,711,321		
6/30/2039	9,895,032	2,522,060				
6/30/2040	8,000,536	2,594,571				
6/30/2041	5,893,597	2,210,003				
6/30/2042	4,032,168	2,121,098				
6/30/2043	2,127,858	1,872,162				
6/30/2044	343,288	315,869				
6/30/2045	41,057	42,519				
6/30/2046						
6/30/2047						
6/30/2048						
Totals		**75,103,525**		**72,948,162**		**61,649,757**
Interest Paid		**38,315,371**		**36,160,008**		**24,861,603**
Estimated Savings				**2,155,363**		**13,453,768**

* This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2017. For Projected Employer Contributions, please see Page 5.

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2017. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while funding risk is limited. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 2-year period centered around the valuation date.

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability[1,2] @ 3.00%	Funded Status	Unfunded Termination Liability @ 3.00%
$38,247,955	$116,936,647	32.7%	$78,688,691	$103,383,201	37.0%	$65,135,245

[1] The hypothetical liabilities calculated above include a 5 percent mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A.

[2] The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.61 percent on June 30, 2017, and was 2.83 percent on January 31, 2018.

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

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2017. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while funding risk is limited. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 2-year period centered around the valuation date.

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability[1,2] @ 3.00%	Funded Status	Unfunded Termination Liability @ 3.00%
$712,180	$1,841,789	38.7%	$1,129,609	$1,390,855	51.2%	$678,675

[1] The hypothetical liabilities calculated above include a 5 percent mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A.

[2] The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.61 percent on June 30, 2017, and was 2.83 percent on January 31, 2018.

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

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2017. The plan liability on a termination basis is calculated differently from the plan's ongoing funding liability. For this hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate assumption. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 2-year period centered around the valuation date.

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability[1,2] @ 3.00%	Funded Status	Unfunded Termination Liability @ 3.00%
$64,037,322	$183,396,012	34.9%	$119,358,690	$165,150,811	38.8%	$101,113,489

[1] The hypothetical liabilities calculated above include a 5 percent contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A.

[2] The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.61 percent on June 30, 2017, and was 2.83 percent on January 31, 2018.

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

FY19/20 Budget: Adjustments to Proposed Budget

Projects omitted:

		18/19	19/20
501-47000-7458	Reservoir Maint & Sec		1,500,000
501-47000-7895	Water Dist. System Maint.		2,000,000
501-47000-7897	Tank Recoating		416,000
501-47000-7916	High Tank Pump Station Repl		70,000
512-47000-7873	WW Collection System Maint		475,000
512-47000-7918	WWTP Combined Heat & Power		2,500,000
	Expected HCSD reimbursement		(800,000)
512-47000-7919	WWTP Outfall Repair		50,000
	Expected HCSD reimbursement		(16,000)

Airport:

260-44520-7490	Septic System	265,000	
260-36321-0000	B & B Rent		13,000
260-36321-1000	B & B Sales Tax		6,000
260-44520-2136	Construction		(11,000)
260-44520-3601	Training		(2,850)
260-44520-3206	Maintenance		(42,000)
260-44520-5160	Liability		7,500