



KATHLEEN CONNELL
Controller of the State of California

December 22, 1999

**To the Citizens, Governor, and Members
of the Legislature of the State of California:**

I am pleased to submit the 19th edition of the *Public Retirement Systems Annual Report* for the fiscal year ended June 30, 1997. This document is intended to be a reference source for persons concerned with the status and adequacy of funding for the 137 public retirement systems in California.

Sections 7501-7504 of the Government Code require that, within six months of the end of their respective fiscal years, state and local public retirement systems submit audited reports to the State Controller. This publication is compiled from the data in those individual reports; statistical and financial data are included, as well as comparisons and evaluations.

This report represents an effort toward determining the adequacy of funding for each of California's public retirement systems. I hope that you will find it to be useful.

I wish to extend my sincere appreciation to all those in both the public and private sectors who have contributed to this publication.

Sincerely,

A handwritten signature in cursive script, reading "Kathleen Connell".

KATHLEEN CONNELL
California State Controller

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Introduction

This is the nineteenth edition of the *Public Retirement Systems Annual Report*. It is based on actuarial data and information derived from audited financial statements submitted by 137 public retirement systems as required by Sections 7501-7504 of the Government Code. Included are eight state systems, 20 systems operating under the County Employees Retirement Law of 1937, one independent county system, 42 city systems, 63 special district systems, one school district system, and two “other” systems.

The “other” category is comprised of systems that do not have one predominant sponsoring or employing agency. Currently, this category includes two systems, Self Insured Schools of California (SISC) and Public Agency Retirement System (PARS).

Six new public retirement systems (Kaweah Delta Hospital District Employees’ Retirement System, PARS Defined Benefit Plan, San Diego Supplemental Pension Savings Plan, Arcade Water District Money Purchase Pension Plan and Trust, San Diego Housing Commission Pension Plan, and Tranquillity Irrigation District Money Purchase Thrift Plan) were added during the 1996-97 fiscal year. However, four public retirement systems (Otay Municipal Water District Pension Plan, Beach Cities Health District Money Purchase Pension Plan, Berrenda Mesa Water District Retirement System, and Broadmoor Police Protection District Retirement System) that reported in the 1995-96 fiscal year ceased to exist and discontinued filing a financial report. Therefore, the net increase in reporting public retirement systems is two, for a total of 137, for the 1996-97 fiscal year.

Comparisons and Evaluations

The Government Code provisions for periodic and independent analysis of the financial transactions of each public retirement system are intended to enable the State Controller to gather information on which to base comparisons and evaluations of the financial condition of such systems. These comparisons and evaluations appear in the first two sections, Discussion of Key Issues and Summary of Statistical Data, of this publication.

Financial and Actuarial Data

To facilitate comparison, the first two sections of this report are followed by a system-by-system presentation of financial and actuarial data in a common format. The data are grouped according to the type of system used.

Ninety-two systems are classified as “defined benefit,” which means that benefits are predetermined by a formula based, in part, on the employee’s salary and/or length of service. The employer’s contributions are determined on the basis of benefits to be paid.

Forty-five systems are classified as “defined contribution,” which means that the rate of contribution by the employer, and sometimes by the employee, is fixed. Therefore, the employee’s pension benefit will be whatever amount

the accumulated contributions plus investment earnings will provide at retirement.

Defined contribution plans, such as Internal Revenue Code 457 and 401(k) plans, that are designed for employee retirement savings with no employer participation are excluded from this publication.

The defined benefit system section has been segmented by state, county, city, special district, school district, and other systems. The defined contribution section is arranged by state, city, special district, and other systems.

The California Public Employees Retirement System (CalPERS) is grouped with other state defined benefit systems. In addition, a separate CalPERS section is included for a more comprehensive view of CalPERS and the 1,355 public agencies (representing more than 2,400 entities) that contract with CalPERS to administer their retirement systems.

Retirement Systems

The retirement systems included within this publication are those chartered or operated by, or on behalf of, state and local public agencies. Excluded from this definition are those systems wherein state or local agencies have contracted with an insurer to provide retirement programs for their employees. Pursuant to Insurance Code Section 900 et. seq., systems maintained by an insurer are submitted to the State Insurance Commissioner, and information concerning such systems falls within the responsibility of that office.

Employee retirement benefits provided through an insurance company contract with an employing agency or retirement system are not required to be included in reports submitted to the State Controller. Consequently, any financial and/or actuarial information relating to the funding and payment of retirement benefits provided through contracts of this type is not available in this publication.

Accounting

Each system reported in this publication maintains its own set of accounting records, with accounts for assets and liabilities. Net Assets Available For Benefits is equal to assets minus current liabilities, and changes to Net Assets Available For Benefits is shown on the Statement of Changes In Net Assets as additions and deductions in accordance with Governmental Accounting Standards Board (GASB) Statements No. 25 and 27.

The majority of the systems operate on either a fiscal year basis, with the year ending June 30, or a calendar year basis, with the year ending December 31. A few systems operate on accounting cycles that end on dates other than June 30 or December 31. This publication includes calendar year systems with the year ending December 31, 1996; fiscal year systems with the year ending June 30, 1997; and "off-fiscal" systems with fiscal years' ending between July 1, 1996, and June 30, 1997.

Audit Requirements

The financial information presented in this publication has been compiled from financial statements audited by a qualified person in accordance with Government Code Section 7504(b). As defined in the code, a “qualified person” means:

- (1) A person who is licensed to practice as a certified public accountant in this state by the State Board of Accountancy, or
- (2) A person who is registered and entitled to practice as a public accountant in this state by the State Board of Accountancy, or
- (3) A county auditor in any county subject to the County Employees’ Retirement Law of 1937, or
- (4) A county auditor in any county having a pension trust and retirement system established pursuant to Government Code Section 53216.

Discussion of Key Issues

Material in this publication is intended for informational purposes only. The standards of evaluation employed and the findings made are interpretations of that information. They should not be construed as proposals for action made by the State Legislature, the State Controller, or any part of the Executive Branch of the State of California.

This publication contains detailed financial and actuarial information derived from individual reports submitted to the State Controller by each public retirement system. The detail sections for each public retirement system may contain comments and/or footnotes describing any existing situations or conditions deemed to be of potential interest to the users of this publication. This discussion section is a summary.

Retirement Benefits

The typical public retirement system in California provides basic retirement benefits based on the retiree’s years of service and final compensation. For example, in a system that provides 2% per year at age 60, a member with 20 years of service may retire at age 60 and receive upon retirement approximately 40% of their average salary as defined. Each system has a normal retirement age, or that age where full retirement benefits are paid. Early retirement is usually allowed but at a reduced percentage.

In many pension systems, retirees’ benefits are automatically increased to replace the purchasing power lost through inflation. This Cost of Living Adjustment (COLA) benefit is linked to an index that measures inflation, although it may be limited to a maximum annual percentage increase. Some systems do not provide automatic COLA benefits, giving ad hoc increases instead.

Within some systems, employees receive different benefits depending on their classification. Safety employees, such as police and firefighters, receive higher benefits than general employees. This higher benefit can be

manifested in a higher percentage per year of service and/or younger normal retirement age. Systems may also have different tiers of pension coverage for employees within the same classification, with each tier providing different benefits. The tier to which an employee belongs often depends on his or her date of hire.

Benefit Factors

The factors involved in determining retirement benefits are not easily compared because of the variety of provisions within each system and among employer categories. Details of the benefit provisions can be found on the page that discloses each system's financial and actuarial data, as listed in the table of contents.

A typical defined benefit retirement system will use three factors to determine an employee's benefits: the employee's age at retirement, final average salary (FAS), and the number of years of service. There are an extraordinarily high number of combinations of these factors among retirement systems and among tiers within those systems, making averages or ranges for comparison difficult.

The number of years of service required to qualify for benefits can range from none, in the case of a duty-related disability retirement benefit, to as much as 20 years of service for full retirement benefits.

The compensation amount used in the benefit calculation also varies. Between defined benefit systems and tiers within systems, three systems use compensation earned at the time of retirement as the basis for determining retirement benefits, three systems use compensation of the position last held, 17 use a formula that averages compensation earned in the final years of service, and 62 use a formula that averages the highest years of compensation earned. Other defined benefit systems have been excluded from the count because the FAS formula was not reported. Therefore, the sum of the number of systems using a given FAS formula has no relationship to the total of 92 defined benefit systems reporting. Systems that average compensation use a range of years of average salary earned that varies from a one-year period to as long as a five-year period. Because most defined benefit systems have multiple tiers that may use different FAS formulas, some systems may be included in more than one of the above categories

Financing Benefits

The goal of a defined benefit system is to finance predefined employee benefits by accumulating assets through employer/employee contributions and investment earnings. The amount of yield from investments is important inasmuch as higher investment returns help reduce contributions needed in future years.

Defined contribution systems accumulate contributions for retirement without defining the retirement benefit. Most gains, losses, and earnings of the system are credited to the employees' accounts.

Contributory systems require employees to share in the cost of financing their retirement through monthly contributions. The state systems require

contributions at a flat percentage of salary, commonly from 5% to 9%. County systems require contributions at rates which vary with age at employment. The state's Public Employees' Retirement System (CalPERS) has instituted a tier II that does not require employee contributions but provides lower benefits than the contributory tier I.

Rather than accumulating funds in advance, a few systems are on a pay-as-you-go basis. Under this system, only those funds necessary to meet the current obligations are appropriated. Since there are no significant assets in these systems to generate investment returns, employer contributions may tend to escalate rapidly.

To develop a financing program for defined benefits, systems must project the future stream of payments to retirees and beneficiaries. This is done through the services of an actuary using a process known as an actuarial valuation.

Actuarial Valuations for Defined Benefits

Once the value and timing of these benefits is projected, they are typically financed by annual contributions designed to be a constant percentage of total payroll. Contributions are designed to increase at the same rate as wages. For various reasons, the contribution rates do change from valuation to valuation. If, for instance, higher benefits are given, the valuation of the system should show a higher contribution requirement. Other reasons for a rate change could be a change in the assumptions used in the valuation of system benefits or a significant variance between actual experience and the assumptions used. Projections made by a retirement system are based upon the experience of that system. The assumptions included in this publication are those required to be given "particular consideration" pursuant to Government Code Section 7502. Excluded from this publication are a multitude of other actuarial assumptions that may be used in a variety of plans but are not statutorily required to be reported.

This publication lists the salary scale and interest rate assumptions for each defined benefit pension system. Generally, changes in these two assumptions have opposite effects on contribution rates. Increasing the interest rate assumption means that the pension fund is expected to earn more on its investments and, therefore, lower contributions will be needed. Increasing the salary scale means anticipating higher salaries and correspondingly higher benefits, resulting in higher contribution requirements.

Funding Responsibility

The responsible funding of any retirement system is of vital concern to all interested parties, as this systematic and adequate funding enhances the financial security of these retirement systems.

For defined benefit pension systems, a measure of the achievement of responsible funding is that the system's board adopts contribution rates that have been recommended by the actuary. This publication lists both the rates recommended by the actuary and those adopted by the retirement board. Of the 92 defined benefit systems reporting, 20 systems (10 single tier and 10 multi-tier systems) have adopted employer contribution rates that are

different from the rates recommended by the system actuary. Of those 20 systems (43 tiers), 11 systems (22 tiers) adopted employer contribution rates below the rates recommended by the system actuary. Five systems (8 tiers) adopted employer contribution rates above the rates recommended by the system actuary. Four systems (13 tiers) have adopted employer contribution rates both below and above the rates recommended by the system actuary.

Another measure for defined benefit systems is the funding ratio, which compares the assets in a system to its actuarial liabilities. The actuarial liabilities should equal the actual assets of the system under the most ideal circumstances, but seldom do.

There are various reasons that cause them to differ. One reason would be increasing benefits retroactively for past service, which causes actuarial liabilities to increase without a corresponding increase in the assets. Another would be increasing salaries at a rate faster than that assumed in the salary scale, which again would cause liabilities to increase. A third cause is that the rate of return on investment is different than the rate assumed.

The difference between actuarial liabilities and system assets is called the unfunded actuarial accrued liability. This is funded by amortizing it over a 30- to 40-year period.

Extending the amortization period reduces the annual payment for retiring the unfunded actuarial accrued liability. In this publication a supplemental contribution rate, called the unfunded rate, is shown with the normal rate. The normal rate can be considered as the percentage of payroll necessary to be contributed to the retirement fund to pay for future benefits earned in the current fiscal year. The unfunded rate allows for the system to meet contribution deficiencies from the past.

Please note that since many systems design the unfunded amortization payments to increase proportionately with salaries, it may be possible for the funding ratio to decrease in the early years of the amortization period.

Finally, it should be noted that a 100% funding ratio means only that past funding deficiencies have been made up, not that the financing program is complete. If a 100% funding ratio is achieved, the total contribution required would be reduced to normal contributions to finance benefits earned in the current year.

Funding Positions

Figure 2, on page xvi, shows that, in the aggregate, statewide actuarial liabilities are approximately \$233.1 billion, net assets available for benefits are approximately \$219.6 billion, unfunded liabilities are approximately \$13.5 billion, and the aggregate funding ratio is 94%. The funding ratio is the ratio of system assets to actuarial liabilities. The aggregate funding ratio for all reporting systems has increased over the 1995-96 aggregate funding ratio by 1%. Figure 2 also shows unfunded liabilities per member of \$5,994, with cities having the greatest net liability at an average of \$12,176 per member. The median funding ratio for all reporting systems is 94%, the same

percentage as last year's median. The median funding ratio has increased in the last decade from the fiscal year 1986-87 median of 77%. Eight systems reported funding ratios below 50%. All eight systems have been closed to new membership, a move which will help control future costs. These closed systems will eventually cease to exist.

Reports submitted for this publication show that the 1996-97 median employer contribution rate was 9.3% of covered payroll for defined benefit general systems and 16.7% of covered payroll for defined benefit safety systems.

Employer Contributions

Many systems are attempting to control costs by adding new membership and benefit tiers that offer lower benefit levels, and by closing the higher benefit tiers to new employees. Of the 92 defined benefit systems reporting, 24 have adopted multiple benefit tiers. The effect of the new benefit levels can be seen by comparing the contribution rates for the various systems. Generally, additional tiers translate to reduced benefits, which results in reduced contribution rates for the new tiers.

Disability Requirements

Most California public employee retirement systems report similar disability retirement benefits, ranging from 33% to 50% income replacement for both safety and general members.

The median percentage of disability retirees to all retirees receiving benefits, survivors not included, was 9.2% during the period covered by this report. These percentages ranged from zero percent to 100%. Since most of these systems had similar benefits, the wide range appears to have resulted from differing policies and practices of individual retirement boards in administering disability retirements.

Interest Rate Assumptions

During the 1996-97 fiscal year, the median interest rate assumption among all reporting defined benefit systems was 8%, averaging 7.7%. The actual interest earning median among defined benefit systems for the year was 14.3%, with an average of 12.4%.

Legislative and Accounting Changes

On July 1, 1991, the Omnibus Reconciliation Act of 1990 (OBRA 1990) became effective. OBRA 1990 requires all state and local governmental employers to provide retirement benefits to their part-time and intermittent employees or participate in Social Security.

Many of the reporting agencies in this publication have established new levels of benefits for their part-time and intermittent employees. One system, PARS, was created specifically to address the new requirements placed on local governmental employers by OBRA 1990.

In November 1994, the GASB issued Statements No. 25, 26, and 27, entitled *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*, and

Accounting for Pensions by State and Local Governmental Employers, respectively.

The provisions of GASB Statements No. 25 and 26 are effective for periods beginning after June 15, 1996. The provisions of GASB Statement No. 27 are effective for periods beginning after June 15, 1997. Early implementation is encouraged for all three statements. However, GASB Statement No. 25 and GASB Statement No. 26 should be implemented in the same fiscal year.

GASB Statement No. 26 provides guidance for accounting and financial reporting of postemployment healthcare plans and does not affect the areas of this report. Beginning with this publication, the financial and actuarial information provided herein is derived from audited financial statements that have been prepared, except where noted, in accordance with GASB Statement No. 25 or GASB Statement No. 27. These two statements require, among other things, a statement of plan net assets, a statement of changes in plan net assets, and that investments be carried at fair value with unrealized gains and losses included in the statement of changes in plan net assets. Additions to Net Assets Available for Benefits must include the net appreciation, or depreciation, in the fair value of investments. Annual required contributions (ARC) of the employer and the employee are also presented. ARC should be actuarially determined in accordance with GASB Statement No. 25 parameters. Defined benefit plans are also required to footnote disclosures regarding actuarial methods, contribution requirements, and funding progress of the system. This is a departure from GASB Statement No. 5, which has been superceded, that required invested assets to be reported at cost or amortized cost.

Summary of Statistical Data

This section is intended to provide comparisons, evaluations, and other pertinent information on the public employee retirement systems included in this publication. The information is provided as text, tables, and graphical presentations.

Summary of Funding Position for Defined Benefit Systems

The purpose of this section is to assess the progress being made in accumulating assets to pay for benefits when due. The funding ratio is one method for assessing this progress. However, various actuarial methodologies can be used to calculate the funding ratio of a retirement system, each method resulting in a different funding ratio for the same system.

Figure 1 shows that of the 85 defined benefit systems that reported funding ratios, 63 (74.1%) have funding ratios of 85% or higher. Of the 22 systems with funding ratios under 85%, 10 have been closed to new employees. These 10 systems account for 0.2% of the statewide defined benefit membership and 17.2% of the statewide unfunded liabilities. The remaining 12 open systems with a funding ratio under 85% account for 1.7% of the statewide membership and 17.8% of the statewide unfunded liabilities.

Figure 1
Funding Ratio Distribution

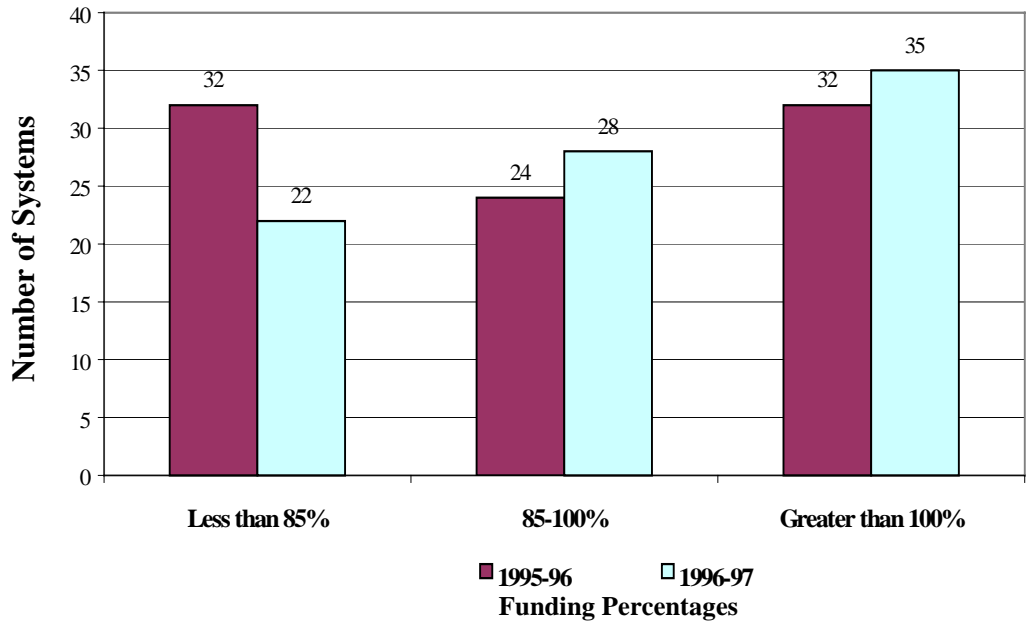


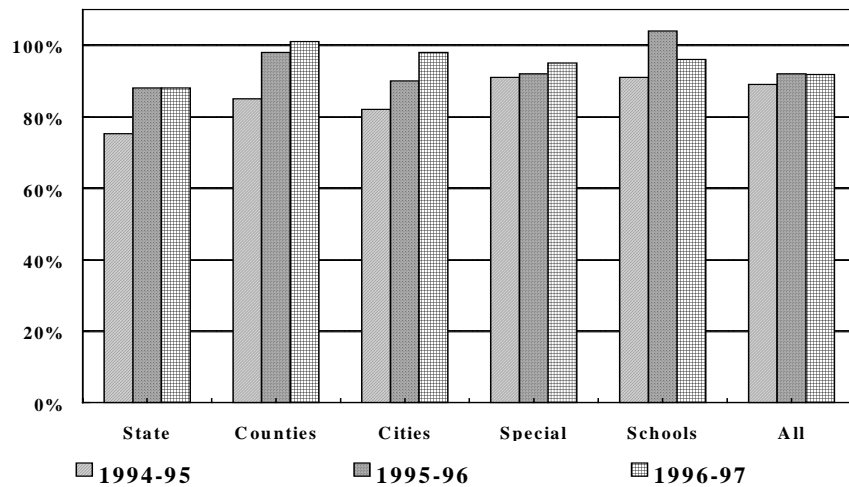
Figure 2 illustrates that, when the actuarial liabilities and assets for individual systems in each category are summed and compared as an aggregated amount, funding positions improved for county and city systems in the 1996-97 fiscal year as compared to the 1995-96 fiscal year as indicated by the funding ratios. Funding positions declined in the 1996-97 fiscal year for state and school systems. Special districts had no change in funding position.

In contrast to the aggregate, the median values are shown in Figure 3. The divergence in values between the aggregate funding ratios and the median values is caused by the variances between the individual systems as opposed to the aggregate ratios.

Figure 2
Summary of Statewide Funding Position for Defined Benefit Systems

Agency	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (Funding Excess)	Funding Ratios			Unfunded Actuarial Accrued Liability (Funding Excess) Per Member
				1994-95	1995-96	1996-97	
State.....	\$161,816,407,532	\$149,568,974,755	\$12,247,432,777	86%	93%	92%	\$ 7,020
Counties.....	39,042,244,819	39,799,275,062	(757,030,243)	93%	99%	102%	(2,350)
Cities	30,368,286,584	28,509,701,583	1,858,585,001	82%	87%	94%	12,176
Special Districts.....	1,884,760,619	1,687,067,461	197,693,158	85%	90%	90%	6,898
Schools	1,289,000	1,241,000	48,000	91%	104%	96%	4
Totals	\$233,112,988,554	\$219,566,259,861	\$13,546,728,693	86%	93%	94%	\$ 5,994

Figure 3
Funding Ratio Trends, Median Value



Summary of Contribution Rates

Figures 4 through 7 report median employer contribution rates, adopted by the respective retirement boards, as a percentage of payroll for defined benefit general and safety systems, accounting for all tiers within each system.

The 1996-97 median employer contribution rate for all general systems was 9.30% of payroll, with rates ranging from 0% to 38.4%. The 1996-97 median rate for all safety systems was 16.7% of payroll, with rates ranging from 0% to 65.9%. The city safety systems’ median contribution level has had the widest variance of change, dropping from a median of 23.99% of payroll in 1992-93 to 16.91% of payroll in 1996-97. The contribution levels for county general plans has remained relatively flat during this same period, while county safety plans have declined from a median rate of 18.16% in the 1992-93 fiscal year to 16.73% in the 1996-97 fiscal year. Special districts median contribution levels have dropped 1.46 percentage points between the 1992-93 and 1996-97 fiscal years. During this time, special districts median contribution rate ranged from 8.41% to 9.89%

Figure 4
General Defined Benefit Systems

Employer Contribution Rates by Median Value As a Percentage of Payroll

Agency Type	1992-93	1993-94	1994-95	1995-96	1996-97
State.....	10.27%	8.25%	8.25%	8.33%	9.26%
Counties	10.89%	10.83%	10.82%	10.81%	9.49%
Cities	11.86%	12.63%	10.00%	9.62%	10.16%
Special Districts	9.87%	9.75%	9.89%	9.84%	8.41%
Schools.....	—	—	2.01%	2.40%	2.40%
All General	10.49%	10.40%	10.10%	9.97%	9.30%

Figure 5

**General Defined Benefit Systems
Median Board Adopted Employer Contribution Rates**

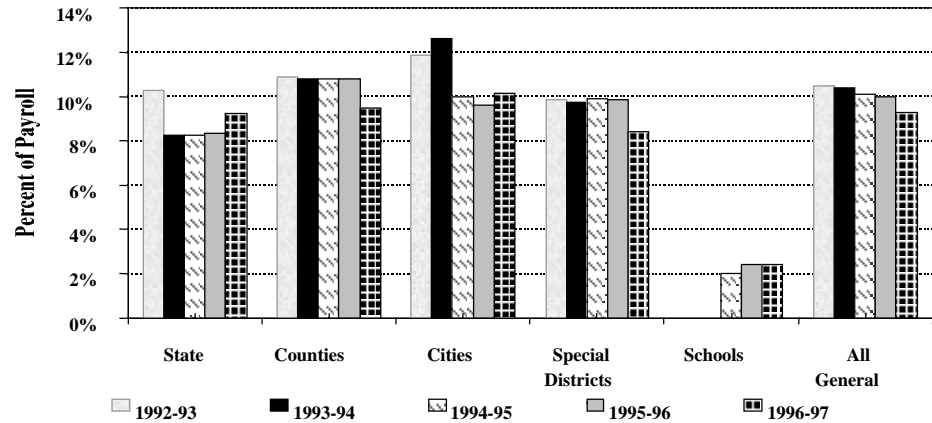


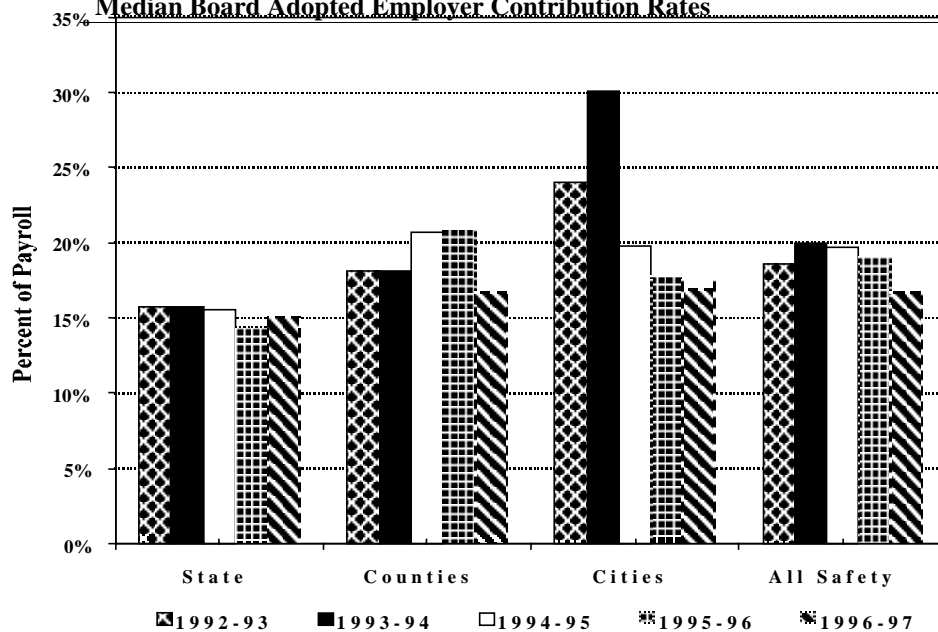
Figure 6

**Safety Defined Benefit Systems
Employer Contribution Rates by Median Value as a Percentage of Payroll**

Agency Type	1992-93	1993-94	1994-95	1995-96	1996-97
State.....	15.70%	15.70%	15.59%	14.38%	15.03%
Counties	18.16%	18.16%	20.72%	20.98%	16.73%
Cities	23.99%	30.06%	19.76%	17.82%	16.91%
All Safety	18.58%	20.02%	19.66%	19.06%	16.71%

Figure 7

**Safety Defined Benefit Systems
Median Board Adopted Employer Contribution Rates**



Assets

The following figures show that, in total, California defined benefit and defined contribution public employee retirement systems hold assets of \$359.9 billion at fair value, in trust at June 30, 1997. State-administered retirement systems account for 73.2% of these assets, and local agency administered systems account for the remaining 26.8%, as illustrated in Figure 11. Although 73.2% of the assets are administered by the state systems, a high percentage of these assets are contributed by the many local agencies that contract with the state’s Public Employees’ Retirement System.

Figure 8

**Asset Distribution by Entity Type
1996-97**

	Fair Value
State.....	\$263,613,437,032
Counties	53,452,156,318
Cities	40,618,419,377
Special Districts.....	2,091,586,164
Schools.....	1,317,585
Other	<u>155,527,898</u>
Total	<u>\$359,932,444,374</u>

Of the 137 total public retirement systems reporting in fiscal year 1996-97, the ten largest systems encompass 90% of total assets, 93% of total liabilities, and 89% of net assets available for benefits, as shown in Figure 9.

Figure 9

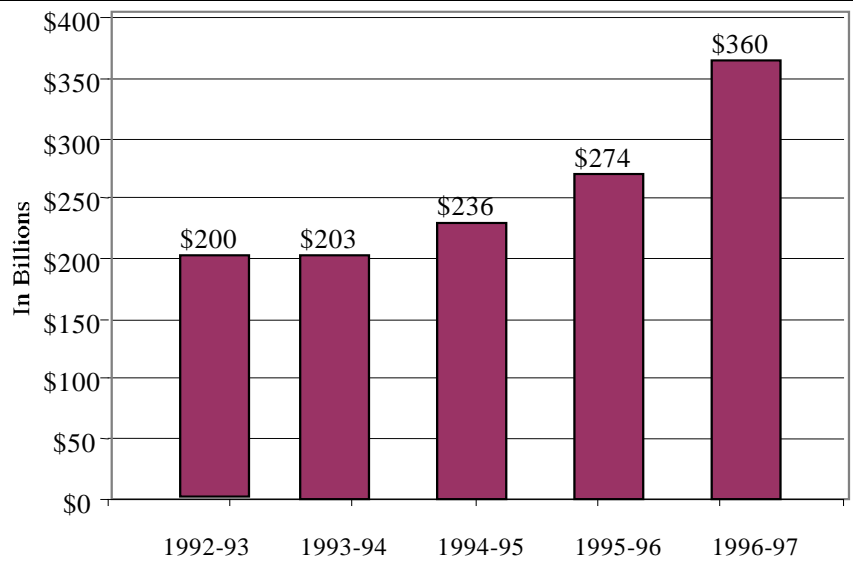
**1996-97 Public Retirement System Annual Report
Ten Largest Public Retirement Systems**

Name of System	Total Assets	Total Liabilities	Net Assets Available for Benefits
Public Employees’ Retirement System	\$128,746,965,918	\$ 7,585,198,288	\$121,161,767,630
State Teachers’ Retirement System.....	96,940,843,249	22,163,007,098	74,777,836,151
University of California (Defined Benefit Plan).....	31,717,211,311	2,588,731,076	29,128,480,235
Los Angeles County Employees’ Retirement Association.....	24,654,486,946	1,799,816,947	22,854,669,999
San Francisco City and County Retirement Systems.....	11,530,950,204	2,864,054,331	8,666,895,873
Los Angeles Fire and Police Employees’ Retirement System	9,470,390,451	2,864,054,331	8,662,948,797
Los Angeles City Employees’ Retirement System.....	6,698,726,051	807,441,654	5,528,419,370
University of California (Contribution Benefit Plan).....	6,075,691,654	1,170,306,681	4,515,731,914
Orange County Employees’ Retirement Association	3,693,605,000	1,559,959,740	3,372,633,000
San Diego County Employees’ Retirement Association	3,344,145,241	320,972,000	3,096,445,060
Total of 10 Largest Systems.....	<u>\$322,873,016,025</u>	<u>\$41,107,187,996</u>	<u>\$281,765,828,029</u>
Total All Systems.....	<u>\$359,932,444,374</u>	<u>\$44,014,561,277</u>	<u>\$315,917,883,097</u>
Percent of Total, 10 Largest Systems.....	90%	93%	89%

Figure 10 shows that from the 1992-93 to 1996-97 fiscal period, the fair value of assets increased 80%.

Figure 10

Growth In Total Assets At Fair Value



Most assets are invested for income. Figure 12 illustrates that assets are invested primarily in stocks and long-term debt securities. The debt category includes mortgages and long-term corporate and government bonds. Debt makes up 28.35% (\$98.6 billion) of investment assets. Stocks represent 54.09% (\$188.1 billion) of investment assets. The short-term category, which represents 5.20% (\$18.1 billion) of investment assets, consists of cash and cash equivalents, U.S. treasury bills, money market funds, and other short-term securities. The other category, which represents 12.36% (\$43.0 billion), consists of real estate equity, venture capital, and other miscellaneous investments.

Figure 11

**Asset Distribution by Entity Type
1996-97 (at Fair Value)**

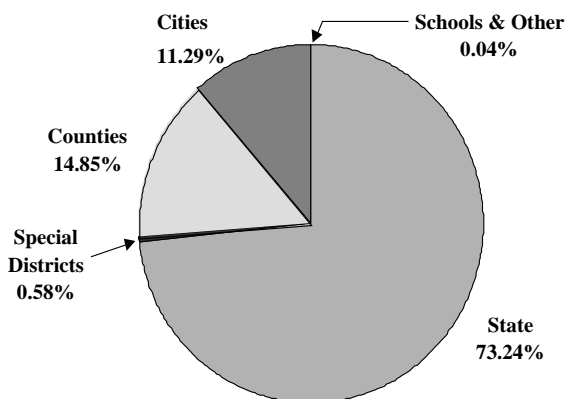
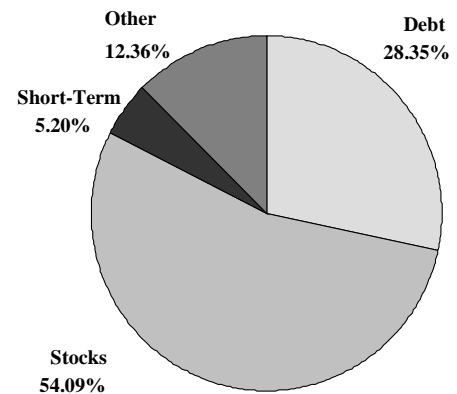


Figure 12

**Investment Capital Distribution
1996-97 (at Fair Value)**



When real estate equity investments are combined with mortgages, the total assets invested in real estate equals \$33.9 billion, or 9.8% of investment assets. Mortgages represent \$21.2 billion of this total, and real estate equity amounts to \$12.7 billion.

Revenues

Public employee retirement system revenues totaled \$63.1 billion in the 1996-97 fiscal year. Defined benefit systems accounted for \$62.0 billion, or 98.2% of total revenues. Defined contribution systems accounted for \$1.1 billion, or 1.8% of total revenues.

As shown in Figures 13 and 14, employee contributions of \$3.7 billion accounted for 5.83% of total revenues; employer contributions of \$6.6 billion accounted for 10.40%; investment income of \$52.9 billion accounted for 83.76%; and other revenues of \$5.8 million made up 0.01% of total revenues.

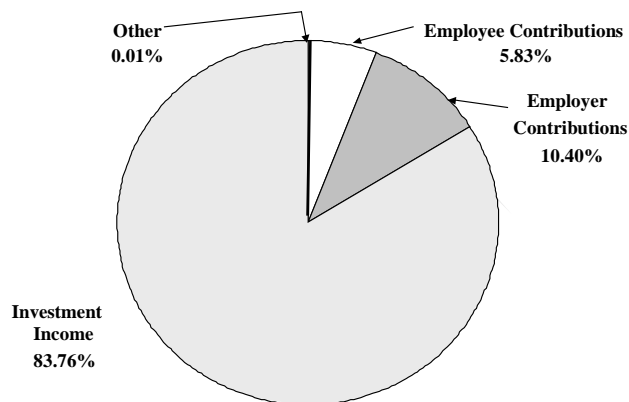
Figure 13

Public Employees Retirement System Revenues

Revenues by Source	Employee Contributions	Employer Contributions	Investment Income	Other	Totals
State.....	\$2,935,202,306	\$4,476,930,832	\$39,166,405,581	\$2,613,248	\$46,581,151,967
Counties.....	404,755,716	856,390,067	7,462,369,084	2,045,134	8,725,560,001
Cities	297,741,581	1,122,045,850	5,972,820,825	1,110,349	7,393,718,605
Special Districts.....	19,154,948	70,396,485	262,929,183	72,490	352,553,106
Schools	0	617,421	56,131	0	673,552
Other.....	<u>23,613,756</u>	<u>39,195,856</u>	<u>8,370,297</u>	<u>0</u>	<u>71,179,909</u>
Total.....	<u>\$3,680,468,307</u>	<u>\$6,565,576,511</u>	<u>\$52,872,951,101</u>	<u>\$5,841,221</u>	<u>\$63,124,837,140</u>
% of Total.....	5.83%	10.40%	83.76%	0.01%	100.00%

Figure 14

**Revenues by Source
1996-97**



Expenses

Public employee retirement system expenses totaled \$13.4 billion for the 1996-97 fiscal year. Defined benefit systems spent \$13.1 billion, or 98.1% of total expenses, while defined contribution systems spent \$252.4 million, or 1.9% of total expenses. Figures 15 and 16 illustrate that benefit payments resulted in \$11.0 billion, or 82.56% of the total expenses. Refunds, administrative expenses, and other expenses totaled \$481.1 million, \$1.8 billion, and \$75.3 million, respectively. These expense categories amounted to 3.60%, 13.28%, and 0.56% of total expenses. Administrative expenses have risen from 4% of total expenses in the 1989-90 fiscal year to 13.28% of total expenses in the 1996-97 fiscal year. Total expenses have increased 116.99% in the same period.

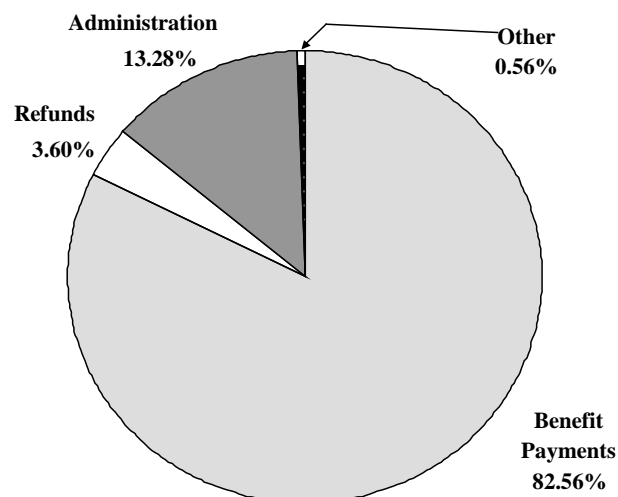
Figure 15

Public Employee Retirement System Expenses

Expenses by Type	Benefit				Totals
	Payments	Refunds	Administration	Other	
State	\$7,713,716,311	\$379,553,359	\$1,501,863,344	245,317	\$9,595,378,331
Counties	1,729,569,760	59,264,353	167,678,375	64,622,421	2,021,134,909
Cities	1,418,073,750	39,986,832	93,565,114	8,144,875	1,559,770,571
Special Districts	149,038,693	2,272,547	10,099,463	2,241,306	163,652,009
Schools.....	61,260	0	101,327	0	162,587
Other	<u>29,324,957</u>	<u>0</u>	<u>3,024,746</u>	<u>0</u>	<u>32,349,703</u>
Total	<u>\$11,039,784,731</u>	<u>\$481,077,091</u>	<u>\$1,776,332,369</u>	<u>\$75,253,919</u>	<u>\$13,372,448,110</u>
% of Total.....	82.56%	3.60%	13.28%	0.56%	100.00%

Figure 16

Expenses by Type 1996-97



Average Yield

The average yield on assets of the various systems is computed using the following formula recommended by the Municipal Finance Officers Association.

$$\frac{I}{\frac{1}{2}(A + B - I)}$$

A = Beginning of the year fair value of total assets, less current liabilities

B = End of the year fair value of total assets, less current liabilities

I = Investment income earned during the year

The following pertinent information should be considered when comparing average yield data between systems with financial data from other sources.

- (1) The average yield computed by this formula may be distorted if the net cash flow into the system is not distributed evenly during the year.
- (2) The changing market value of stocks, bonds, and other investments is included in investment income earned during the year as the net gain or loss in the fair value of investments.
- (3) The timing and amount of contributions can significantly affect this number.

As indicated in Figure 17, the 1997 median average yield for all systems was 14.3%. The mean average yield rate was 12.4%. The average yield rates ranged from a low of -7.5% to a high of 41%.

The median yield rate for three- and five-year averages was not computed for this publication due to the lack of comparability with the 1997 rates. The 1997 rates are not comparable to previous years' rates due to the required implementation of GASB Statement No. 25. GASB Statement No. 25 requires that investment assets be accounted for at fair value, whereas in previous years investment assets were valued at cost or amortized cost. The median interest rate assumption was 8%.

Figure 17
Summary of Average Yields

Defined Benefit Systems	1995 Average Yield	1996 Average Yield	1997¹ Average Yield
State			
Judges' Retirement System I	11.1%	15.4%	14.5%
Judges' Retirement System II	0.0%	0.0%	14.5%
Legislators' Retirement System	15.0%	14.9%	19.2%
Public Employees' Retirement System	10.2%	8.1%	19.9%
State Teachers' Retirement System	12.9%	10.4%	19.3%
State Teachers' Retirement System Cash Balance Fund	*	*	(7.5%)
University Of California Retirement System	9.5%	11.4%	26.4%
Median Value For State Defined Benefit Systems	10.7%	10.9%	19.2%
Counties			
Alameda County Employees' Retirement Association	8.2%	11.4%	14.6%
Contra Costa County Employees' Retirement Association	4.8%	9.4%	16.0%
Fresno County Employees' Retirement Association	9.9%	11.4%	21.1%
Imperial County Employees' Retirement Association	5.9%	16.4%	20.6%
Kern County Employees' Retirement Association	7.6%	13.3%	19.6%
Los Angeles County Employees' Retirement Association	9.0%	14.4%	17.4%
Marin County Employees' Retirement Association	7.9%	21.6%	22.7%
Mendocino County Employees' Retirement Association	9.1%	9.8%	16.6%
Merced County Employees' Retirement Association	6.3%	10.5%	25.8%
Orange County Employees' Retirement Association	2.8%	11.7%	13.5%
Sacramento County Employees' Retirement Association	2.4%	9.6%	20.6%
San Bernardino County Employees' Retirement Association	13.9%	9.7%	18.9%
San Diego County Employees' Retirement Association	10.1%	16.6%	19.8%
San Joaquin County Employees' Retirement Association	8.2%	9.4%	14.5%
San Luis Obispo County Pension Trust	8.0%	8.1%	6.0%
San Mateo County Employees' Retirement Association	3.8%	10.1%	18.4%
Santa Barbara County Employees' Retirement Association	6.3%	14.7%	20.3%
Sonoma County Employees' Retirement Association	5.4%	9.0%	16.7%
Stanislaus County Employees' Retirement Association	12.7%	14.5%	25.7%
Tulare County Employees' Retirement Association	7.7%	21.1%	17.4%
Ventura County Employees' Retirement Association	8.0%	13.0%	20.7%
Median Value For County Defined Benefit Systems	7.9%	11.4%	18.9%
Cities			
Alameda Police and Fire Pension Plans 1079 and 1082	4.3%	4.5%	7.2%
Albany Fire and Police Pension Fund	10.3%	12.3%	17.8%
Bakersfield Firemens' Disability and Retirement System	5.7%	6.7%	6.2%
Berkeley Safety Employees' Retirement System	*	0.0%	*
Concord Retirement System	8.0%	12.8%	13.0%

¹ The average yield figures in this column were calculated using asset values at fair value as defined by the Governmental Accounting Standards Board (GASB) Statement No. 25. They are not comparable to average yield figures shown for 1995 and 1996 because the 1995 and 1996 figures were calculated using a cost or amortized cost basis for investment assets.

* Information was not available to calculate average yield rate.

Defined Benefit Systems	1995 Average Yield	1996 Average Yield	1997¹ Average Yield
Cities (Continued)			
Costa Mesa Retirement Plan For Safety Employees	9.2%	2.1%	*
Delano Employee Pension Plan.....	6.6%	6.3%	22.5%
El Cerrito Employees' Pension Trust Fund	9.7%	9.4%	15.7%
Emeryville Miscellaneous Pension Fund.....	5.4%	5.2%	5.3%
Eureka Local Fire and Police Retirement System	4.5%	5.6%	5.5%
Fresno Fire and Police Retirement System.....	7.9%	18.4%	19.0%
Fresno General Service Employees' Retirement System.....	7.9%	19.3%	19.0%
Irvine Safety Employees' Retirement Plan.....	5.9%	5.8%	13.0%
Los Angeles City Employees' Retirement System.....	4.7%	13.8%	35.8%
Los Angeles Fire and Police Employees' Pension System.....	5.7%	15.8%	18.8%
Los Angeles Water and Power Employees' Retirement Plan	8.4%	8.2%	21.6%
Manhattan Beach Part-Time, Temporary, and Seasonal Employees' Retirement Plan	*	*	*
Manhattan Beach Single Highest Year Retirement Plan	*	*	*
Manhattan Beach Supplemental Retirement Plan.....	*	*	*
Mill Valley Retirement System	*	*	*
Oakland Fire and Police Retirement System	8.5%	7.6%	10.9%
Oakland Municipal Employees' Retirement System	22.5%	35.0%	41.0%
Pasadena Fire and Police Employees' Retirement System	9.1%	15.6%	17.0%
Piedmont Police and Fire Pension Fund.....	6.7%	4.7%	30.5%
Pittsburg Miscellaneous Employees' Retirement System Of 1962	4.6%	5.9%	5.2%
Richmond Garfield Pension Plan	6.8%	9.1%	*
Richmond General Pension Plan	8.4%	8.3%	8.3%
Richmond Police and Firemen's Pension Plan	4.7%	0.0%	*
Sacramento City Employees' Retirement System	10.2%	13.0%	12.8%
San Clemente Restated Employees' Retirement Plan.....	3.7%	2.9%	4.8%
San Diego Employees' Retirement System.....	9.6%	12.5%	16.4%
San Francisco City and County Employees' Retirement System	8.4%	14.8%	17.8%
San Jose Federated City Employees' Retirement System.....	6.4%	13.5%	15.5%
San Jose Police and Fire Retirement System	7.0%	14.4%	15.1%
Santa Barbara Police and Fire Service Retirement Fund.....	5.3%	5.6%	7.8%
Median Value For City Defined Benefit Plans	6.9%	9.1%	15.1%
Special Districts			
Alameda-Contra Costa Transit District Non-Union Pension Fund.....	6.7%	12.5%	7.9%
Alameda-Contra Costa Transit District Union Pension Fund.....	6.7%	12.5%	7.9%
Antelope Valley Hospital Medical Center Retirement Plan	8.8%	16.0%	18.7%
Brookside Hospital Employees' Retirement Plan.....	5.7%	11.5%	22.8%
Contra Costa Water District Retirement Plan.....	21.5%	11.3%	22.7%
East Bay Municipal Utility District Retirement System	13.1%	13.0%	17.5%
Golden Gate Transit District Amalgamated Retirement Plan	15.9%	10.8%	15.0%
Housing Authority Of The County Of Tulare Defined Benefit Pension Plan.....	1.7%	6.0%	12.7%
Imperial Irrigation District Employee Pension Plan	6.7%	10.5%	6.7%

¹ The average yield figures in this column were calculated using asset values at fair value as defined by the Governmental Accounting Standards Board (GASB) Statement No. 25. They are not comparable to average yield figures shown for 1995 and 1996 because the 1995 and 1996 figures were calculated using a cost or amortized cost basis for investment assets.

* Information was not available to calculate average yield rate.

Defined Benefit Systems	1995 Average Yield	1996 Average Yield	1997¹ Average Yield
Special Districts (Continued)			
Kaweah Delta Hospital District Employees' Retirement Plan	*	*	18.7%
Long Beach Public Transportation Company Contract Employees' Retirement System	7.6%	8.3%	17.8%
Long Beach Public Transportation Company Salaried Employees' Retirement System	7.5%	9.2%	17.4%
Los Alisos Water District Defined Benefit Pension Plan	11.9%	27.6%	8.0%
Los Angeles County Transportation Authority – Maintenance Employees' Retirement Income Plan	5.6%	27.3%	16.5%
Los Angeles County Transportation Authority – Non-Contract Employees' Retirement Income Plan	10.3%	27.4%	16.0%
Los Angeles County Transportation Authority – Transportation Communication Union Retirement Income Plan	6.6%	28.1%	16.1%
Los Angeles County Transportation Authority – United Transportation Union Retirement Income Plan	6.8%	29.3%	16.6%
Madera Irrigation District Defined Benefit Pension Plan	6.6%	6.3%	6.3%
Mesa Consolidated Water District Employee Retirement Plan	5.0%	4.5%	6.0%
Modesto Irrigation District Basic Retirement System	8.3%	8.0%	8.3%
Sacramento Regional Transit District Contract Employees' Retirement Plan	7.4%	5.7%	11.9%
Sacramento Regional Transit District Non-Contract Employees' Retirement Plan	7.6%	6.2%	11.3%
San Diego Transit Corporation Employees' Retirement Plan	7.5%	16.8%	19.8%
San Joaquin Regional Transit District Contract Employees' Retirement Plan	5.9%	5.9%	12.5%
Santa Clara County Transit District Amalgamated Transit Union Pension Plan	7.4%	8.0%	10.3%
Trabuco Canyon Water District Pension Plan	13.7%	15.4%	22.7%
Tranquillity Irrigation District Defined Benefit Pension Plan	5.7%	8.0%	7.7%
Median Value for District Defined Benefit Systems	7.4%	11.0%	15.0%
Schools			
Self-Insured Schools Of California Defined Benefit Plan	5.3%	0.9%	5.5%
Median Value for Schools Defined Benefit Systems	5.3%	0.9%	5.5%
Other			
Public Agency Retirement System (PARS) Defined Benefit Plans	*	*	7.1%
Median Value for Other Defined Benefit Systems	*	*	7.1%
Defined Contribution Systems			
State			
University Of California Defined Contribution Plan and 403(b) Plan	6.4%	7.2%	17.9%
Median Value for State Defined Contribution Systems	6.4%	7.2%	17.9%
Cities			
Adelanto Employee Retirement Plan	11.0%	8.1%	16.2%
Camarillo Employees' Defined Contribution Pension Fund	0.0%	0.0%	16.0%
East Palo Alto Retirement Plan	*	6.3%	6.8%
Irvine Defined Contribution Pension Plan	5.7%	9.9%	7.2%
Kerman Employees' Retirement Trust	5.8%	10.4%	8.3%
Ripon Money Purchase Thrift Pension Plan	4.4%	4.9%	14.5%
San Diego Supplemental Pension Savings Plan	*	*	8.9%
Median Value for City Defined Contribution Systems	5.7%	8.1%	8.9%

¹ The average yield figures in this column were calculated using asset values at fair value as defined by the Governmental Accounting Standards Board (GASB) Statement No. 25. They are not comparable to average yield figures shown for 1995 and 1996 because the 1995 and 1996 figures were calculated using a cost or amortized cost basis for investment assets.

* Information was not available to calculate average yield rate.

	1995 Average Yield	1996 Average Yield	1997 ¹ Average Yield
Defined Contribution Systems			
Special Districts			
Arcade Water District Money Purchase Pension Plan and Trust.....	*	*	12.5%
Arvin Edison Water Storage District Employees' Pension Plan.....	(3.7%)	12.1%	13.9%
Centre City Development Corporation Money Purchase Pension Plan.....	5.4%	11.8%	10.0%
Clear Creek Community Service District Retirement System.....	0.0%	21.7%	0.0%
Corcoran Irrigation District Money Purchase Pension Plan.....	0.0%	0.0%	13.4%
Eastern Sierra Community Service District Retirement System.....	6.3%	5.8%	3.4%
El Nido Irrigation District Money Purchase Pension Plan and Trust.....	3.2%	5.4%	5.0%
Exeter Irrigation District Employees' Money Purchase Pension Plan.....	4.9%	6.0%	5.7%
Fresno Irrigation District Employee Money Purchase Plan.....	(2.2%)	1.3%	12.7%
Garden Grove Sanitary District Pension Fund.....	4.9%	6.3%	6.2%
Glenn – Colusa Irrigation District Retirement System.....	10.6%	6.5%	9.7%
Home Gardens Sanitary District Pension Plan.....	5.9%	6.1%	6.0%
La Canada Irrigation District Employees' Pension Plan.....	4.3%	4.9%	10.4%
La Habra Heights County Water District Profit Sharing Plan.....	5.7%	17.3%	12.9%
Lakeside Irrigation Water District Money Purchase Pension Plan and Trust.....	4.4%	5.6%	5.2%
Liberty Rural County Fire Protection District Pension Plan and Trust.....	6.4%	6.8%	5.9%
Lindmore Irrigation District Employees' Money Purchase Pension Plan.....	4.4%	5.6%	5.5%
Modesto Irrigation District Supplemental Retirement System.....	8.2%	9.5%	10.7%
North Bakersfield Recreation and Park District Pension Trust.....	9.1%	4.6%	15.9%
North Tahoe Public Utility District Money Purchase Pension Plan.....	1.3%	5.9%	10.0%
Orange County Water District Money Purchase and Cash Balance Retirement Plans.....	1.5%	5.6%	3.6%
San Diego Community College District A.P.P.L.E. Program.....	6.6%	6.3%	5.9%
San Diego Convention Center Corporation Money Purchase Pension Plan.....	1.6%	5.9%	10.4%
San Diego Data Processing Corporation Money Purchase Pension Plan.....	0.7%	0.0%	13.0%
San Diego Housing Commission Pension Plan.....	*	*	15.2%
Saucelito Irrigation District Employees' Money Purchase Pension Plan and Trust.....	4.6%	5.6%	5.4%
Southeastern Economic Development Corporation 403(b) Tax Sheltered Annuity Plan.....	5.7%	12.4%	14.8%
Southgate Recreation and Park District Retirement System.....	11.5%	12.2%	13.8%
Tranquillity Irrigation District Money Purchase Thrift Plan.....	*	*	14.3%
Truckee-Donner Recreation and Park District Money Purchase Pension Plan.....	7.2%	6.4%	10.2%
Tulare Lake Basin Water Storage District Pension Trust Fund.....	7.3%	9.7%	5.6%
Valley Sanitary District Retirement System.....	0.0%	1.2%	12.7%
Valley Center Municipal Water District Retirement Plan 002.....	6.8%	11.5%	15.2%
Wasco Recreation and Parks District Employees' Money Purchase Pension Plan.....	4.5%	(2.0%)	18.7%
West Valley Vector Control District Money Purchase Pension Fund.....	3.2%	0.0%	20.9%
Yuima Municipal Water District Employees' Pension Plan.....	6.4%	5.0%	19.9%
Median Value for Districts Defined Contribution Systems.....	4.9%	5.9%	10.4%
Other			
Public Agency Retirement System (PARS).....	1.7%	5.2%	6.2%
Median Value for Other Defined Contribution Systems.....	1.7%	5.2%	6.2%
Median Value for All Systems.....	6.6%	9.4%	14.3%

¹ The average yield figures in this column were calculated using asset values at fair value as defined by the Governmental Accounting Standards Board (GASB) Statement No. 25. They are not comparable to average yield figures shown for 1995 and 1996 because the 1995 and 1996 figures were calculated using a cost or amortized cost basis for investment assets.

* Information was not available to calculate average yield rate.

Membership

As shown in Figure 18, the total membership in the retirement systems reporting for the 1996-97 fiscal year and the 1996 calendar year is 2,765,878. This is a 10.8% increase from the 2,496,554 members reported in the 1995-96 fiscal year, and a 23.7% increase from the 1992-93 fiscal year.

Figure 19 shows that state-administered systems contain a majority of members at 75.6% of total membership in all systems.

Membership classifications are:

Active: members currently employed.

Service Retired: members who have worked a full career and retired.

Disabled: members who took retirement due to work-related or non-work-related illness or injury.

Survivors: deceased retirees' dependents that continue to receive benefits.

Inactive: those who have left the system but have retained vested rights to future benefits.

Figure 20 illustrates that active and inactive members amount to 2,090,526 (75.64%) of total plan membership, while beneficiaries (service retired, survivors, and disabled) amount to 675,352 (24.36%) of total plan membership.

Figure 21 shows that 51 systems (38.1%) have fewer than 100 members, 30 systems (22.4%) have between 100 and 999 members, 31 systems (23.1%) have between 1,000 and 9,999 members, and 22 systems (16.4%) have 10,000 or more members.

Figure 22 illustrates an increase of 277,943 (15.3%) in active and inactive membership and a decrease of 8,619 (5.8%) in beneficiary membership since the 1995-96 fiscal year. Beneficiary membership consists of service retired, disabled, and survivor members.

Furthermore, since the 1992-93 fiscal year, active and inactive membership has increased by 28.9%, while beneficiary membership has increased by 10.1%.

Figure 18

Retirement Systems Membership by Classification

Membership Classification	State Members	Percent Of Total	County Members	Percent of Total	City Members	Percent of Total	District, School & Other Members	Percent of Total	System Members	Percent of Total
Defined Benefit										
Active.....	1,101,013	63.1%	202,367	62.8%	89,436	58.6%	36,421	81.4%	1,429,237	63.1%
Service Retired.....	382,893	21.9%	73,722	22.9%	40,705	26.7%	5,135	11.4%	502,455	22.2%
Disabled.....	62,371	3.6%	15,131	4.7%	8,651	5.6%	587	1.3%	86,740	3.8%
Survivors.....	60,923	3.5%	12,875	4.0%	11,873	7.8%	452	1.0%	86,123	3.8%
Inactive.....	<u>137,452</u>	<u>7.9%</u>	<u>18,034</u>	<u>5.6%</u>	<u>1,983</u>	<u>1.3%</u>	<u>2,174</u>	<u>4.9%</u>	<u>159,643</u>	<u>7.1%</u>
Total.....	1,744,652	100.0%	322,129	100.0%	152,648	100.0%	44,769	100.0%	2,264,198	100.0%
Defined Contribution										
	<u>346,120</u>		-		<u>8,937</u>		<u>146,623</u>		<u>501,680</u>	
Grand Total.....	<u>2,090,772</u>		<u>322,129</u>		<u>161,585</u>		<u>191,392</u>		<u>2,765,878</u>	

Figure 19

**Membership Distribution
By Agency Type, All Systems**

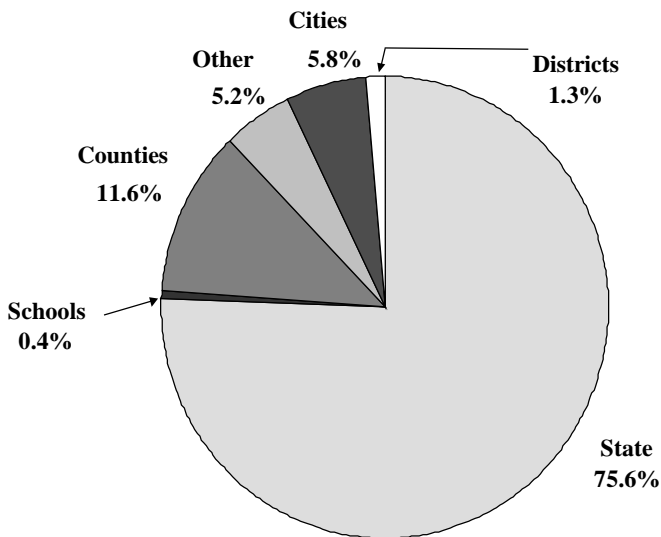


Figure 20

**Membership Distribution
By Classification, Defined Benefit Systems**

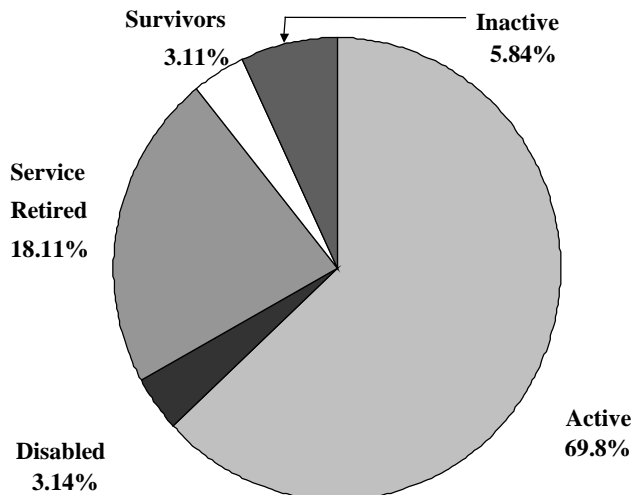


Figure 21
Distribution of Systems by Membership Size

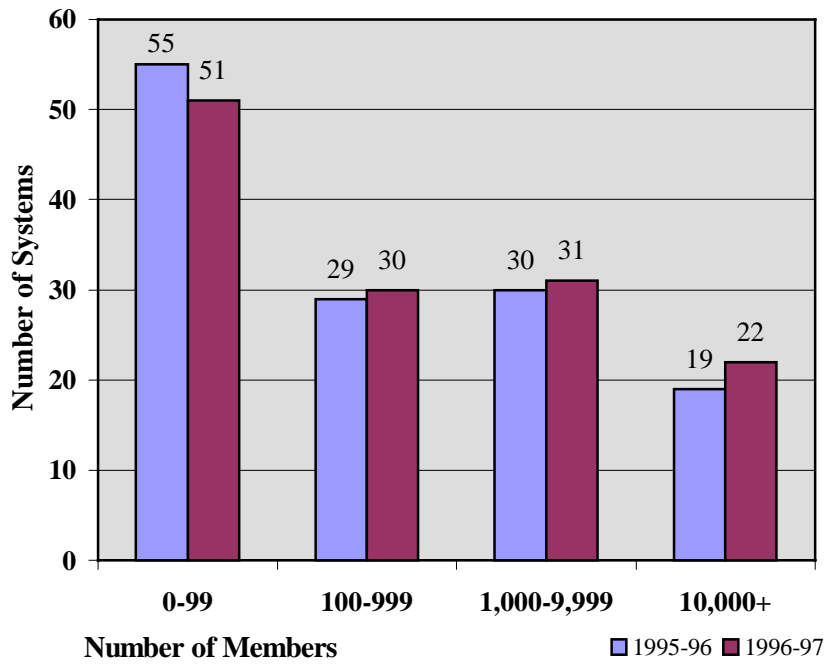
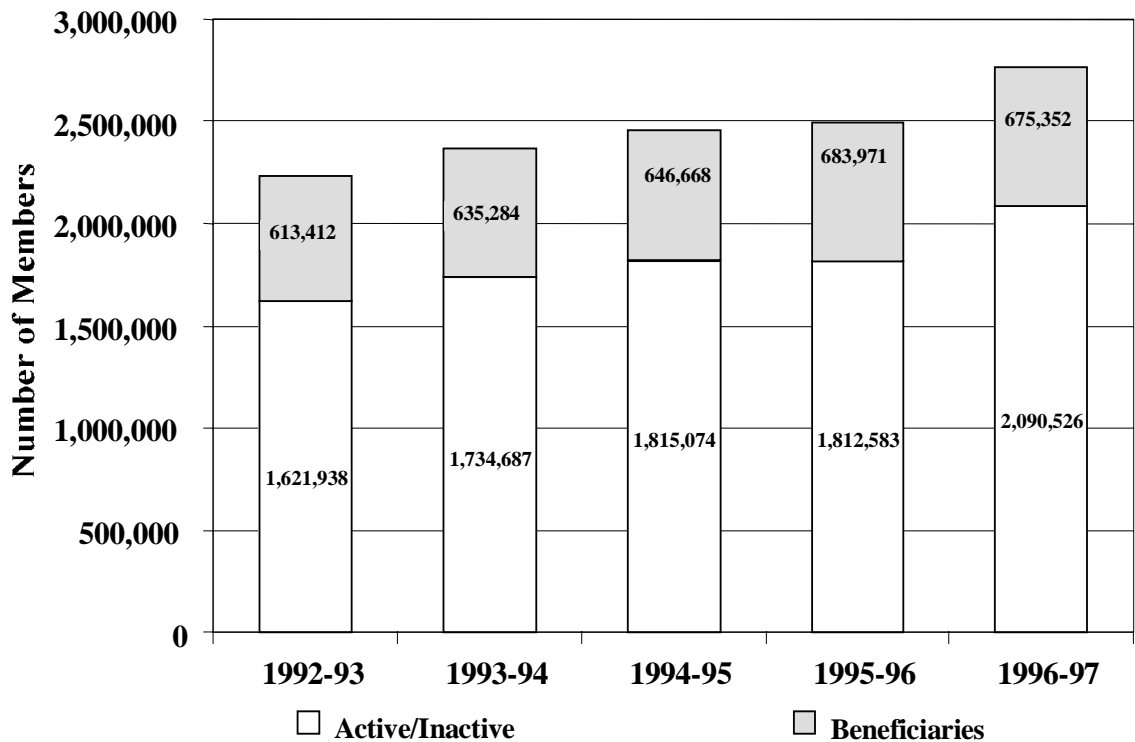


Figure 22
Membership Trends



Disability Requirements

Most California defined benefits public retirement systems maintain separate schedules of benefits for members who retire because of disability incurred either on or off the job. The schedules generally provide retirement allowances after shorter periods of service than those applicable to other retirees. As a result, the systems pay benefits to disabled retirees for greater lengths of time and the retirees no longer contribute to the system, resulting in lower total deposited contributions on which to earn interest.

Disability benefit payments that were reported by the systems included in this publication totaled approximately \$1.3 billion. This total, however, must be regarded as a low estimate since reports by some systems did not give a separate accounting of disability benefits. For systems that were able to itemize their disability benefit payments, disability benefits were 11.9% of total benefits paid.

Figure 23 gives some insight into each system's disability retirement position. The first column of figures shows the percentage of those who are disabled among all retirees receiving benefits. This percentage does not include deceased retirees' beneficiaries.

For example, CalPERS reported that 20.0% of its retired members were receiving disability benefits in fiscal year 1996-97. The median percentage of such retired members for all defined benefit systems reporting was 9.2%, while the average was 15.8%.

The remaining columns of the table give a brief summary of disability benefits offered by the various plans. It appears that most plans offer similar benefits ranging from 33.3% to 50.0% of final compensation for both general members and safety members. Most service-related disabilities have no minimum service requirements, and non-service disabilities usually require five to ten years in service to qualify.

Some system's names have been abbreviated in Figure 23 due to space considerations. Full names can be found in Figure 17.

Figure 23

DISABILITY BENEFITS AS A PERCENTAGE OF FINAL AVERAGE SALARY (FAS)					
<u>System Name</u>	<u>Disability Retirement Percentage</u>	<u>General Members</u>		<u>Safety Members</u>	
		<u>Non-Service Disability</u>	<u>Service Disability</u>	<u>Non-Service Disability</u>	<u>Service Disability</u>
<u>State Systems</u>					
Judges' Retirement System I	6.4%	65%	65%	-	-
Judges' Retirement System II.	0.0%	Same as Service Retirement at Age 65 or 65%	65%	-	-
Legislators' Retirement System.....	5.1%	Same as Service Retirement at Age 60	Same as Service Retirement at Age 60	-	-
CalPERS	20.0%	1.8% per Year of Service, 1/3 of FAS maximum	50%	1.8% per Year of Service, 1/3 of FAS maximum	-
State Teachers' Retirement System.....	4.0%	50%	50%	-	-
University of California	5.1%	25% + 5% per Year of Service., 40% of FAS maximum	25% + 5% per Year of Service., 40% of FAS maximum	-	-
<u>County Systems</u>					
Alameda	7.9%	33%	50%	33%	50%
Contra Costa.....	16.5%	33%	50%	33%	50%
Fresno.....	9.9%	33%	50%	33%	50%
Imperial.....	21.6%	33%	50%	33%	50%
Kern	22.9%	33%	50%	33%	50%
Los Angeles.....	21.3%	33%	50%	33%	50%
Marin.....	0.0%	33%	50%	33%	50%
Mendocino	23.5%	33%	50%	33%	50%
Merced	17.2%	33%	50%	33%	50%
Orange.....	14.5%	33%	50%	33%	50%
Sacramento.....	14.9%	33%	50%	33%	50%
San Bernardino.....	20.3%	33%	50%	33%	50%
San Diego.....	13.3%	33%	50%	33%	50%
San Joaquin	14.0%	33%	50%	33%	50%
San Luis Obispo.....	8.9%	33%	50%	33%	50%
San Mateo	9.2%	33%	50%	33%	50%
Santa Barbara.....	0.0%	33%	50%	33%	50%
Sonoma	19.9%	33%	50%	33%	50%
Stanislaus	15.0%	33%	50%	33%	50%
Tulare	15.0%	33%	50%	33%	50%
Ventura.....	21.9%	33%	50%	33%	50%
<u>City Systems</u>					
Alameda Police and Fire Pension Plans 1079 and 1082 .	10.7%	-	-	50%	50%
Albany Police and Firemens' Pension Fund.....	27.6%	-	-	33%	50%

**DISABILITY BENEFITS AS A PERCENTAGE OF
FINAL AVERAGE SALARY (FAS)**

<u>City Systems</u>	<u>Disability Retirement Percentage</u>	<u>General Members</u>		<u>Safety Members</u>	
		<u>Non-Service Disability</u>	<u>Service Disability</u>	<u>Non-Service Disability</u>	<u>Service Disability</u>
Bakersfield Firemens' Disability and Retirement System	80.0%	-	-	25%	50%
Berkeley Safety Employees' Retirement System	15.4%	-	-	25%	50%
Concord Retirement System...	8.3%	-	-	-	50%
Costa Mesa Safety Employees' Retirement System	9.2%	-	-	Normal Retirement	Normal Retirement
Delano Employees' Retirement System.....	0.0%	-	6% Annuity	-	6% Annuity
El Cerrito Employees' Pension Trust Fund.....	20.0%	-	50%	-	50%
Emeryville Miscellaneous Pension Fund	0.0%	-	-	-	-
Eureka Local Fire and Police Retirement System	0.0%	-	-	-	75%
Fresno Fire and Police Retirement System	28.6%	-	-	33%	50%
Fresno General Service Employees' Retirement System.....	12.8%	33%	33%	-	-
Irvine Safety Employees' Retirement Plan.....	82.4%	-	-	50% of Service Retirement	50% of Service Retirement
Kaweah Delta Hospital District Employees' Retirement System.....	*				
Los Angeles City Employees' Retirement System	9.3%	33%	33%	-	-
Los Angeles Fire and Police Employees' Pension System	26.0%	-	-	40% of Policeman III or Fireman II	50% to 90%
Los Angeles Water and Power Employees' Retirement System.....	0.0%	Normal Retirement	-	-	-
Manhattan Beach Part-Time, Seasonal, & Temporary Employees' Retirement Plan	0.0%	-	-	-	-
Manhattan Beach Single Highest Year Retirement Plan	0.0%	-	-	-	-
Manhattan Beach Supplemental Retirement Plan.....	0.0%	-	-	-	-
Mill Valley Retirement System	0.0%	-	-	-	-
Oakland Fire and Police Retirement System.....	36.0%	-	-	33%	50%

* New system, information not available.

**DISABILITY BENEFITS AS A PERCENTAGE OF
FINAL AVERAGE SALARY (FAS)**

	Disability Retirement Percentage	General Members		Safety Members	
		Non-Service Disability	Service Disability	Non-Service Disability	Service Disability
<u>City Systems</u>					
Oakland Municipal Employees' Retirement System	3.8%	33%	33%	-	-
Pasadena Fire and Police Employees' Retirement System.....	48.3%	-	-	20%	50%
Piedmont Police and Fire Pension Fund.....	100.0%	-	-	1.8% per Year of Service	50%
Pittsburgh Miscellaneous Employees' Retirement System.....	100.0%	-	-	25%	50%
Richmond General Pension Plan	2.8%	50% with \$300 minimum	50% maximum	-	-
Richmond Police and Firemens' Pension Plan – Garfield.....	0.0%	-	-	25%	50%
Richmond Police and Firemens' Pension Plan.....	23.9%	-	-	25%	50%
Sacramento Employees' Retirement System	21.5%	25%	25%	25%	50%
San Clemente Restated Employees' Retirement Plan	3.7%	Accrued Benefits	Accrued Benefits	-	-
San Diego Employees' Retirement Plan.....	32.3%	33%	33%	33%	50%
San Francisco Employees' Retirement System	17.9%	33%	33%	33%	50%
San Jose Federated Employees' Retirement System	10.2%	40%	40%	-	-
San Jose Police and Fire Retirement System	70.5%	-	-	32%	75%
Santa Barbara Police and Fire Service Retirement System .	59.1%	-	-	-	20% - 50%
<u>Special District Systems</u>					
Alameda/Contra Costa Transit District Union Employees' Pension Plan.....	25.9%	50%	50%	-	-
Alameda/Contra Costa Transit District Salaried Employees' Pension Plan.....	9.1%	50%	50%	-	-
Antelope Valley Hospital District Retirement System .	0.0%	Normal Retirement	Normal Retirement	-	-
Brookside Hospital Employees' Retirement Plan.....	3.8%	-	-	-	-
Contra Costa County Water District Retirement Plan	0.0%	-	-	-	-
East Bay Municipal Utility District Retirement System .	7.5%	None	33%	-	-

**DISABILITY BENEFITS AS A PERCENTAGE OF
FINAL AVERAGE SALARY (FAS)**

<u>Special District Systems</u>	<u>Disability Retirement Percentage</u>	<u>General Members</u>		<u>Safety Members</u>	
		<u>Non-Service Disability</u>	<u>Service Disability</u>	<u>Non-Service Disability</u>	<u>Service Disability</u>
Golden Gate Transit District Amalgamated Retirement Plan.....	22.4%	25% - 35%	50%	-	-
Imperial Irrigation District Employee Pension Plan.....	0.0%	-	-	-	-
Long Beach Public Transportation Company Contract Employees' Retirement System	0.0%	Service Retirement at Assumed Age of 65	Service Retirement at Assumed Age of 65	-	-
Long Beach Public Transportation Company Salaried Employees' Retirement System	0.0%	Normal Retirement Benefit	Normal Retirement Benefit	-	-
Los Alisos Water District Defined Benefit Pension Plan	0.0%	Accrued Benefits	Accrued Benefits	-	-
Los Angeles County Transportation Authority Maintenance Employees' Retirement System.....	0.0%	Lesser of 2% per Year of Service, or Normal Retirement at Age 63.	Lesser of 2% per Year of Service, or Normal Retirement at Age 63.	-	-
Los Angeles County Transportation Authority Non-Contract Employees' Retirement System.....	0.0%	Normal Retirement	Normal Retirement	-	-
Los Angeles County Transportation Authority Transportation Communications Union Employees' Retirement System.....	0.0%	Lesser of 2% per Year of Service, or Normal Retirement at Age 63.	Lesser of 2% per Year of Service, or Normal Retirement at Age 63.	-	-
Los Angeles County Transportation Authority United Transportation Union Employees' Retirement System.....	0.0%	Lesser of 2% per Year of Service, or Normal Retirement at Age 63.	Lesser of 2% per Year of Service, or Normal Retirement at Age 63.	-	-
Madera Irrigation District Defined Benefit Pension Plan	0.0%	Accrued Benefits	Accrued Benefits	-	-
Mesa Consolidated Water District Retirement Plan.....	0.0%	-	-	-	-
Modesto Irrigation District Basic Retirement Plan	2.4%	2/3 of Normal Retirement Benefit	2/3 of Normal Retirement Benefit	-	-
Sacramento Regional Transit District Contract Employees' Retirement Plan.....	39.3%	2% per Year of Service	2% per Year of Service	-	-

**DISABILITY BENEFITS AS A PERCENTAGE OF
FINAL AVERAGE SALARY (FAS)**

	Disability Retirement Percentage	General Members		Safety Members	
		Non –Service Disability	Service Disability	Non-Service Disability	Service Disability
<u>Special District Systems</u>					
Sacramento Regional Transit District Non-Contract Employees' Retirement Plan	18.8%	2% per Year of Service	2% per Year of Service	-	-
San Diego Transit Corporation Employees' Retirement Plan	33.4%	Lesser of 1.5% per Year of Service, or Normal Retirement at Assumed Age 65	Lesser of 1.5% per Year of Service, or Normal Retirement at Assumed Age 65	-	-
San Joaquin Regional Transit District Retirement System .	26.5%	1.5% per Year of Service	1.5% per Year of Service	-	-
Santa Clara County Transit District Amalgamated Transit Union Pension Plan	36.6%	25% - 50%	25% - 50%	-	-
Trabuco Canyon Water District Pension Plan.....	0.0%	Accrued Benefits	Accrued Benefits	-	-
Tranquility Irrigation District Retirement System	0.0%	-	-	-	-
Tulare County Housing Authority	0.0%	Accrued Benefits	Accrued Benefits	-	-
<u>Schools System</u>					
Self Insured Schools of Kern Defined Benefit Plan	0.0%	-	-	-	-
<u>Other System</u>					
Public Agency Retirement System Defined Benefit Plans	*				

* New system, information not available.

Financial and Actuarial Data Detail

The layout of the following detail sections in this year's publication has been modified to reflect the changes prescribed by GASB Statement No. 25. GASB Statement No. 25 supercedes all previous financial reporting standards required for governmental pension plans, including GASB Statement No. 5.

Due to the new actuarial method requirements in GASB Statement No. 25, the information in the detail sections for the Summary of Funding Position is different as compared to the *1995-96 Public Retirement Systems Annual Report* for most of the public retirement systems.

Actuarial and benefit data are formatted to accommodate reporting for six general tiers and three safety tiers. Throughout the following financial and actuarial data, a line of zeroes under contribution rates and eligibility age (years of service) indicates that the listed category(ies) do not apply to that particular public retirement system.

The following definitions apply to the codes used throughout the presentation of the financial and actuarial data:

I = Integrated social security benefits: social security benefits are included, in part or in whole, as part of the system's total monthly retirement benefits.

N = No social security benefits are included as part as the monthly retirement benefits.

S = Supplemental social security benefits: social security benefits are paid in addition to the system's monthly retirement benefits.

X = Indicates which type of Final Average Salary or Cost of Living benefit applies to the public retirement system.

**Supplemental
Information**

List of Actuaries Used by Reporting Retirement Systems

Alexander & Alexander
Consulting Group Inc.
One Piedmont Center
3565 Piedmont Road, N.E.
Atlanta, GA 30363
(404) 261-3400

Block Consulting Actuaries, Inc.
3601 Aviation Blvd., Suite 3080
Manhattan Beach, CA 90266-3719
(310) 643-5710

Coates Kenney, Inc.
Consulting Actuaries
2150 Shattuck Avenue, Suite 601
Berkeley, CA 94701
(510) 644-3389

Farzaroli Pension Corporation
3439 West Shaw Avenue
Fresno, CA 93711-3204
(209) 276-2900

GDK Associates
15300 Ventura Blvd., Suite 223
Sherman Oaks, CA 91403
(818) 990-4030

Gosstyla, Hogue, & Associates
1151 Dove Street, Suite 150
Newport Beach, CA 92660
(714) 955-0398

Jacobsen & Associates, Inc.
2523 El Portal Drive, Suite 203
San Pablo, CA 94806
(415) 231-0550

Ken Callan & Associates
2035 Hurley Way, Suite 275
Sacramento, CA 95825
(916) 921-0510

Martin E. Segal Company
525 Market Street, Suite 3750
San Francisco, CA 94105
(415) 546-8200

The BKS Company
Actuaries & Employee Benefit
Consultants
P. O. Box 3081
Orange, CA 92665-3081
(714) 282-1426

Buck Consultants
1801 Century Park East, Suite 480
Los Angeles, CA 90067
(310) 282-8232

The EPLER Company
450 B Street, Suite 750
San Diego, CA 92101-8002
(619) 239-0831

Gabriel, Roeder, Smith & Company
9171 Towne Centre Drive, Suite 435
San Diego, CA 92122
(619) 535-1300

General American Life Insurance
Company
9735 Landmark Parkway Drive
St. Louis, MO 63127-1690
(314) 525-9182

Howard Johnson & Company
650 California Street, 24th Floor
San Francisco, CA 94108
(415) 956-1040

John K. Wate & Associates, Inc.
Consultants and Actuaries
2009 Hill Meadow Place
Danville, CA 94526-4448
(510) 837-0450

KPMG Peat Marwick
725 South Figueroa Street
Los Angeles, CA 90017
(213)972-4000

Milliman and Robertson, Inc.
595 Market Street, Suite 1100
San Francisco, CA 94105
(415) 777-1400

**List of Actuaries
Used by Reporting
Retirement Systems**
Continued

New England Retirement Services
501 Boylston Street
Boston, MA 02116-3700
(617) 578-7652

PERS Actuarial Services
400 P Street
Sacramento, CA 95814
(916) 326-3430

Richard D. Kern, Consultant
517 Third Street, Suite 27
Eureka, CA 95501
(916) 443-7355

Steven T. Itelson
Consulting Actuary
1309 Diamond Street
San Francisco, CA 94131-1823
(415) 648-8589

Watson Wyatt & Company
345 California Street, Suite 1400
San Francisco, CA 94104
(415) 986-6568

William M. Mercer Consulting
Actuaries
Three Embarcadero Center
Suite 1250
P. O. Box 7440
San Francisco, CA 94104
(415) 777-1400

Oliver Consulting
104 Caledonia Street, Suite A
Sausalito, CA 94965
(415) 331-5784

Prien Associates, Inc.
23197 La Cadena Drive, Suite 101
Laguna Hills, CA 92653-1429
(714) 581-6282

Sedgwick Noble Lowndes
P. O. Box 7601
San Francisco, CA 94120-7601
(415) 983-5600

Transamerica Pension Services
Transamerica Center
1150 South Olive
Los Angeles, CA 90015-2287
(213) 742-2262

Watson Wyatt & Company
15303 Ventura Boulevard, Suite 700
Sherman Oaks, CA 91403-3197
(818) 906-2631

W. F. Corroon Consulting Group
Fifty Fremont Street, 24th Floor
San Francisco, CA 94105
(415) 979-0600

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Governmental Accounting Standards Board of the Financial Accounting Foundation, *Statement No. 27 of the Governmental Accounting Standards Board, Accounting for Pensions by State and Local Governmental Employers*, Norwalk, CT, November 1994.

Definitions and Terminology

Accrued Benefits: The amount of a pension plan participant's benefit (whether vested or not) as of a specified date, determined in accordance with the terms of the pension plan and based on compensation (if applicable) and service to that date.¹

Actuarial Accrued Liability: That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension plan benefits and expenses not provided for by future normal costs.¹

Actuarial Assumptions: Assumptions used in the actuarial valuation process as to the occurrence of future events affecting pension costs, such as mortality, withdrawal, disablement and retirement; changes in compensation and national pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods and other relevant items.¹

Actuarial Basis: A basis used in computing the amount of contributions to be made periodically to a fund or account so that the total contributions plus the compounded earnings thereon will equal the required payments to be made out of the fund or account. The factors considered in arriving at the amount of these contributions include the length of time over which each contribution is to be held and the rate of return compounded on such contribution over its life.¹

Actuarial Cost Method: A procedure for determining the actuarial present value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to individual periods, usually in the form of a normal cost and an actuarial accrued liability.¹

Actuarially Determined Contribution Requirements: Amounts required to be paid annually to a pension plan, based on an actuarial cost method or funding method.¹

Actuarial Present Value (APV): The discounted value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.¹

Definitions and Terminology *Continued*

Actuarial Update: An estimate or projection of the pension benefit obligation developed by using techniques and procedures considered necessary by the actuary. If conditions are relatively stable, only a few minor adjustments (such as an accrual of additional interest on the pension benefits since the valuation date, and addition of benefits earned during the year less benefits paid) may be sufficient. If there have been significant changes in one or more relevant factors (e.g., in the size or composition of the population covered by the PERS), the procedures may be more extensive.¹

Actuarial Valuation: A mathematical determination of the financial condition of a retirement plan. It includes the computation of the present monetary value of benefits payable to present members, and the present monetary value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal from service, salary, and interest.²

Agent Multiple-Employer PERS: An aggregation of single-employer PERS with pooled administrative and investment functions (i.e., the PERS acts as a common investment and administrative agent for each employer). Each entity participating in an agent PERS receives a separate actuarial valuation to determine its periodic contribution rate.¹

Aggregate Actuarial Cost Method: A method under which the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the actuarial present value allocated to a valuation year is called the normal cost. The actuarial accrued liability is equal to the actuarial value of assets.¹

Attained Age Actuarial Cost Method: A method under which the portion of the actuarial present value of projected benefits that exceeds the actuarial accrued liability of each individual in an actuarial valuation is allocated on a level basis over the earning or service of the individual between the valuation date and assumed exit.¹

Attribution: The process of assigning pension benefits or cost to periods of employee service.¹

Benefits: Payments to which participants may be entitled under a pension plan, including pension benefits, death benefits, and benefits due on termination of employment.¹

Definitions and Terminology *Continued*

Cost-Sharing Multiple-Employer PERS: Essentially one large pension plan with cost-sharing arrangements (i.e., all risks and costs, including benefits costs, are shared proportionately by the participating entities). One actuarial valuation is performed for the PERS as a whole, and the same contribution rate generally applies to each participating entity.¹

Defined Benefit Pension Plan: A pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors, such as age, years of service, or compensation.¹

Defined Contribution Pension Plan: A plan that provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to the participant's account.¹

Discount Rate: The rate used to adjust a series of future payments to reflect the time value of money. For the purpose of calculating the pension benefit obligation defined by the GASB, this rate is equal to the estimated long-term rate of return on current and the future investments of the pension plan.¹

Entry-Age Actuarial Cost Method: A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal cost is called the actuarial accrued liability.¹

Fair Value: The amount the plan could reasonably expect to receive in a current sale between a willing buyer and a willing seller not in a forced or liquidation sale.

Fiduciary Fund Type: The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds.¹

Definitions and Terminology *Continued*

Frozen Entry Age Actuarial Cost Method: A method under which the portion of the actuarial present value of projected benefits of the group included in an actuarial valuation, exceeding the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability, is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. The frozen actuarial accrued liability is determined using the entry-age actuarial cost method. The portion of this actuarial present value allocated to a valuation year is called the normal cost.¹

Fund Balance—Reserved For Employees’ Retirement System: Accounts used to account for PERS and pension trust reserved fund balances. These normally include (1) fund balance—reserved for member contributions, (2) fund balance—reserved for employer contributions, (3) fund balance—reserved for benefits, (4) fund balance—reserved for disability and (5) fund balance—reserved for undistributed interest earnings.¹

Funded Pension Plan: A pension plan in which contributions are made and assets are accumulated to pay benefits to potential recipients before cash payments to recipients actually are required.¹

Funding Policy: In the context of pension plans, the policy for the amounts and timing of contributions to be made by the employer(s), participants and any other sources to provide the benefits a pension plan specifies.¹

Funding Ratio: The actuarial value of benefit obligations accrued to date, compared to the pension plan assets expressed as a percentage.³

Noncontributing Employers: In the context of pension disclosures for governments, employers that are not legally responsible for making contributions to a PERS but whose employees are covered by a PERS because of contributions made by another entity.¹

Nonemployer Contributor: In the context of pension disclosures for governments, a government that makes contributions to a PERS to provide benefits to employees of another government (e.g., a state may make the employer’s pension contribution for school districts in the state).¹

Normal Cost: That portion of the actuarial present value of pension plan benefits and expenses allocated to a valuation year by the actuarial cost method. This amount does not include any payment related to an unfunded actuarial accrued liability. For plans financed in part by employee contributions, normal cost ordinarily refers to the total of employee contributions and employer normal cost.¹

Definitions and Terminology

Continued

Other Post-Employment Benefits (OPEB): Benefits other than pension benefits provided to employees following termination but before retirement, as well as the period after retirement.¹

Pay-As-You-Go Basis: In the context of pension accounting and risk management, the failure to finance retirement obligations or anticipated losses on a current basis, using an acceptable actuarial funding method.¹

Pension Benefit Obligation (PBO): The standardized measure of funding status and progress required by the GASB to be disclosed in the notes to the financial statements. It is the actuarial present value of credited projected benefits, prorated on service, and is counted at a rate equal to the expected return on present and future plan assets.¹

Pension Contribution: The amount paid into a pension plan by an employer (or employee), pursuant to the terms of the plan, state law, actuarial calculations, or some other basis for determinations.¹

Pension Obligation: - A generic term for that portion of the actuarial present value of total projected benefits estimated to be payable in the future as a result of employee service to date, with the portion attributable to credited service to date calculated with or without projected salary increases. Stated differently, it is benefits attributable to (a) retirees, beneficiaries, and terminated employees entitled to benefits and (b) current covered employees, as a result of their credited service to date.¹

Pension Trust Fund: A trust fund used to account for a Public Employment Retirement Systems Pension trust funds, like nonexpendable trust funds, use the accrual basis of accounting and have a capital maintenance measurement focus.

Projected Benefit Obligation: - As used in SFAS No. 87, the actuarial present value as of a date of all benefits attributed by the pension benefit formula to employee service rendered before that date. The projected benefit obligation is measured using assumptions as to future compensation levels if the pension benefit formula is based on those future compensation levels (pay-related, final-pay, final-average-pay, or career-average-pay plans).¹

Projected Unit-Credit Actuarial Cost Method: - A method under which the projected benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial present value of benefits allocated to a valuation year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the actuarial accrued liability.¹

Definitions and Terminology *Continued*

Trustee: A fiduciary holding property on behalf of another.¹

Unit-Credit Actuarial Cost Method: A method under which the benefits (projected or unprojected) of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the actuarial accrued liability.¹

Vested Benefit: A benefit for which the employer has an obligation to make payment even if an employee terminates; thus, the benefit is not contingent on an employee's future service.¹

Note: These definitions are prior to issuance of Statements 25, 26, and 27 by the Governmental Accounting Standards Board.

1 Government Finance Officers Association, *Governmental Accounting, Auditing And Financial Reporting*; Chicago, Illinois, May 1994.

2 Municipal Finance Officers Association, *Public Employee Retirement Administration*; MFOA Committee On Public Employee Retirement Administration, Chicago, Illinois, November 1978.

3 Howard E. Winklevoss et al., *Public Pension Plans: Standards of Design, Funding, and Reporting* (Homewood, Illinois: Dow Jones-Irwin, 1979), p. 195.

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