

Schedule of Funding Progress

Public Employees' Retirement Fund

(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -AAL- (b)	(Excess of the Actuarial Value of Assets over AAL) or Unfunded Actuarial	Funded Ratio (a / b)	Covered Payroll (c)	(Excess as a Percentage of Covered Payroll) or
			Accrued Liability -UAAL- (b - a)			UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1996	\$ 38,917	\$ 41,867	\$ 2,950	93.0 %	\$ 8,924	33.1 %
June 30, 1997	44,822	43,504	(1,318)	103.0	9,102	(14.5)
June 30, 1998	52,838	46,021	(6,817)	114.8	9,307	(73.2)

Judges' Retirement Fund

(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -AAL- (b)	Unfunded Actuarial	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a
			Accrued Liability -UAAL- (b - a)			Percentage of Covered Payroll ((b-a)/c)
June 30, 1996	\$ 13	\$ 1,460	\$ 1,447	0.9 %	\$ 154	939.6 %
June 30, 1997 ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A
June 30, 1998 ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A

Judges' Retirement Fund II

(Amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -AAL- (b)	(Excess of the Actuarial Value of Assets over AAL) or Unfunded Actuarial	Funded Ratio (a / b)	Covered Payroll (c)	(Excess as a Percentage of Covered Payroll) or
			Accrued Liability -UAAL- (b - a)			UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1996	\$ 2,388	\$ 2,813	\$ 425	84.9 %	\$ 8,080	5.3 %
June 30, 1997	7,242	7,906	664	91.6	15,422	4.3
June 30, 1998	15,120	15,043	(77)	100.5	33,880	(0.2)

Notes:

- Beginning with the June 30, 1997 actuarial valuation, actuarial valuations were performed using the aggregate cost valuation method. The aggregate cost method does not identify unfunded actuarial liabilities. Prior to the June 30, 1997 valuation, actuarial valuations were performed using the aggregate entry age normal cost valuation method.
- Effective January 1, 1999, the Defined Benefit Plan (DB Plan) and the Cash Balance Plan (CB Plan) merged to establish the State Teachers' Retirement Plan which includes the Defined Benefit Program (DB Program) and the Cash Balance Benefit Program (CBB Program). All actuarial data relates to the DB Plan.

Schedule of Funding Progress

Legislators' Retirement Fund

(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -AAL- (b)	Unfunded Actuarial Accrued Liability -UAAL- (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1996	\$ 94	\$ 105	\$ 11	89.5 %	\$ 4.8	229.2 %
June 30, 1997 ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A
June 30, 1998 ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A

State Teachers' Retirement System Defined Benefit Program ⁽²⁾

(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -AAL- (b)	(Excess of the Actuarial Value of Assets over AAL) or Unfunded Actuarial Accrued Liability -UAAL- (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	(Excess as a Percentage of Covered Payroll) or UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1996	\$ 55,207	\$ 63,391	\$ 8,184	87.1 %	\$ 12,688	64.5 %
June 30, 1997	67,980	69,852	1,872	97.3	14,521	12.9
June 30, 1998	77,290	74,234	(3,056)	104.1	15,741	(19.4)

University of California Retirement System

(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -AAL- (b)	(Excess of the Actuarial Value of Assets over AAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	(Excess as a Percentage of Covered Payroll) ((b-a)/c)
June 30, 1997	\$ 22,851	\$ 19,257	\$ (3,594)	118.7 %	\$ 4,762	(75.5) %
June 30, 1998	27,132	20,617	(6,515)	131.6	4,960	(131.4)
June 30, 1999	32,087	22,157	(9,930)	144.8	5,347	(185.7)

YEAR 2000 COMPLIANCE OF COMPUTER SYSTEMS AND OTHER EQUIPMENT

The Year 2000 (Y2K) problem stems from a cost-saving measure taken more than 30 years ago to save data storage space. During this time, years such as 1999 were shortened to two digits and stored as 99. The Year 2000 presents a problem with this method because 2000 could be stored as 00. If a program using this method includes date-sensitive calculations, the distinction between 1900 and 2000 might not be made and could result in data miscalculations or a stop in data processing altogether. Thus, if systems are not remediated, the potential impact of the Year 2000 problem might include disruptions to some government operations, leading to possible interruptions of services to Californians.

With the State's reliance on information technology (IT) to support many essential services, the State has made it a top priority to ensure that all IT systems are Y2K compliant. The Governor's Executive Order D-3-99 requires that all state government entities focus on Y2K remediation efforts for all computer systems and related equipment, defer any new technology projects not required by law, and develop business continuity plans for the continuous delivery of essential services.

To ensure the integrity of testing already completed and the stability of the production environment, a Y2K Directive (1999-02) announcing a moratorium was issued by the Department of Information Technology (DOIT). The moratorium is in effect from November 1, 1999, through the end of business on March 10, 2000. The moratorium is intended to maintain focus on the Y2K remediation efforts and the preparedness of the State.

The State has been working for some time to make the modifications necessary to make its computer systems Y2K ready. The Executive Order directed DOIT to oversee this effort. In doing so, DOIT established a Y2K Program Management Office (PMO) to coordinate and monitor activities of the various state organizations as they address Y2K readiness issues. A few agencies with mission critical systems, including the California State University, the trial courts, the California Public Employees' Retirement System, the California State Teachers' Retirement System and the University of California do not report to the Y2K PMO.

The implementation of the Y2K PMO has occurred through various stages:

Awareness Stage: The Y2K PMO developed an extensive project plan to coordinate DOIT's oversight activities. The Y2K PMO also provided oversight and direction to individual state entities' to ensure budgets and project plans were in place to support remediation of computer systems and related equipment.

Assessment Stage: Using a standardized methodology developed by examining best practices, the Y2K PMO contracted with suppliers to conduct detailed department assessments (DDA) on 103 of the 116 identified state entities. Some entities such as constitutional offices were not required to participate. The DDA process resulted in an independent baseline from which to measure compliance standards.

Remediation Stage: Each state entity is required to report weekly updates on its progress against the baseline data established upon completion of the DDA.

Validation/Testing Stage: An independent contractor conducted an Independent Verification & Validation (IV&V) of state entity mission critical system-related documents and artifacts.

The DDA process identified 38 entities as having mission critical systems that support essential services to the State. A total of 709 mission critical systems were identified that include IT applications, external interfaces, embedded technology, and desktops systems. As of November 5, 1999, 689 mission critical systems have completed their remediation activities. Except for a few systems, it is anticipated that all mission critical systems will be complete and compliant by December 31, 1999. For the few systems that may not be remediated by December 31, 1999, contingency plans have already been prepared to ensure continuous delivery of essential services.

As a result of the DDA process, action items were identified and provided to the entities with mission critical systems. These action items were documented in a Corrective Action Plan (CAP). State entities with CAPs are required to provide weekly updates to their progress toward completing each outstanding action item.

In addition, through the Governor's Executive Order, DOIT developed a Continuity Planning for Business methodology to assist state entities in their development of a continuity plan to provide essential services. The Y2K PMO has closely tracked and monitored the progress of continuity plan development and readiness activities to minimize potential interruption of services to Californians.

The State has mission critical and high profile interfaces with local, county and federal agencies, private businesses, and municipalities. An independent contractor is assisting the State with the testing of the State-County interfaces. The Y2K PMO is closely tracking and monitoring the testing status of each interface.

The DOIT estimates total Y2K costs identified by the departments under its supervision at \$357 million. These costs are part of much larger overall IT costs incurred annually by the State, including costs incurred by certain independent State entities that do not report to the Y2K PMO. For fiscal year 1999-00, the Legislature created a fund of \$33.5 million (\$13.5 million General Fund) for unanticipated Y2K costs, which can be increased if necessary.

Additional information on the State's progress with Y2K remediation is available at <http://www.Year2000.ca.gov>. (The information provided herein is a Year 2000 Readiness Disclosure pursuant to the Year 2000 Information and Readiness Disclosure Act (Public Law 105-271).

The status of the major agencies that do not report to the Y2K PMO follows. The California State University has completed the awareness and assessment stages. It has almost completed the remediation and validation/testing stages, and is working on continuity planning. Of the 58 trial courts, 46 have reported on their Y2K status. Of the trial court systems reporting, 5% are in the assessment stage, 28% are in the remediation stage, and 67% are in the validation/testing stage. The California Public Employees' Retirement System has addressed all aspects of the awareness, assessment, and remediation stages. The validation/testing stage for its mainframe operating system, mainframe computer applications, and PC applications has also been addressed. The California State Teachers' Retirement System has completed all stages of the Y2K compliance validation/testing, and testing of contingency plans is expected to be completed by October 1999. The University of California has completed the awareness and assessment stages, and has substantially completed the remediation stage. The remediation and validation/testing stages are currently underway and are expected to be completed by December 31, 1999.

Although state departments are making substantial progress overall toward the goal of Y2K compliance, the task is very large and will likely encounter unexpected difficulties. The State cannot predict whether all mission critical systems will be ready and tested by late 1999. It also cannot be predicted what impact the failure of any particular IT system(s), or of outside interfaces with state IT systems, might have.