MONTECITO FIRE PROTECTION DISTRICT

AGENDA FOR THE FINANCE COMMITTEE MEETING

Montecito Fire Protection District Headquarters

595 San Ysidro Road

Santa Barbara, California

July 10, 2013 at 10:00 a.m.

Agenda Items May Not Be Taken In The Order Shown

1. Public comment: Any person may address the Board at this time on any non-agenda matter that is within the subject matter jurisdiction of the Montecito Fire Protection District; 30 minutes total time is allotted for this discussion.

2. Report from Director Sinser on meeting with District Staff relating to District benefits and pensions.

3. Determine the process to analyze the District's unfunded liabilities, including identification of potential resources that can assist in the process.

4. Determine the options the District has to address the District's unfunded liabilities.

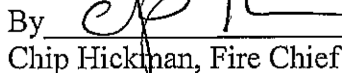
5. Requests for items to be included for the next Finance Committee Meeting.

6. Fire Chief's Report.

Adjournment

This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of the posting is July 8, 2013.

MONTECITO FIRE PROTECTION DISTRICT

By 

Chip Hickman, Fire Chief

Note: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District office at 969-7762. Notification at least 48 hours prior to the meeting will enable the District to make reasonable arrangements.

Materials related to an item on this agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Montecito Fire Protection District's office located at 595 San Ysidro Road during normal business hours.

Finance Committee Proposed Process:

1. Define the differences between CalPERS and OPEB obligations.
2. Understand District's current position on both.
    a. How will current reforms affect the unfunded liability for CalPERS
    b. How will future reforms affect the unfunded liability for CalPERS
3. Invite reps to make presentations.
4. Consider pros and cons of funding options (OPEB):
    - What happens if we don't prefund it and pay as we go?
    - What happens if we partially fund it?
        a. Which funding method
    - What happens if we fully fund it?
5. Consider pros and cons of funding (CalPERS):
    - What happens if we don't prefund it and continue making our normal contributions?
    - What happens if we partially fund it?
    - What happens if we fully fund it?

Summary of Public Employees' Pension Reform Act of 2013 and Related Changes to the Public Employees' Retirement Law

This summary is not intended to provide a comprehensive discussion of the Public Employees' Pension Reform Act of 2013 (PEPRA). This summary includes CalPERS current interpretations of the key areas of the law. CalPERS pension reform team continues to analyze PEPRA and the related changes to the Public Employees' Retirement Law (PERL) and, as such, this summary may be revised.

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
Definition of a New Member A new member includes: (1) A new hire who is brought into CalPERS membership for the first time on or after January 1, 2013, and who has no prior membership in any other California public retirement system. (2) A new hire who is brought into CalPERS membership for the first time on or after January 1, 2013, and who is not eligible for reciprocity with another California public retirement system. (3) A member who established CalPERS membership prior to January 1, 2013, and who is hired by a different CalPERS employer after January 1, 2013, after a break in service of greater than six months. All State agencies are considered the same employer, as are all school employers. CalPERS refers to all members that do not fit the definition of a "new member" as	**7522.04(f)**	X[1]	X

[1] Classic members may be impacted where they change employers and/or change retirement systems and do not meet the statutory requirements related to reciprocity or where there is break in service of more than six months.

* Currently, these provisions do not impact classic members directly. However, they prohibit public employers from offering such a benefit or option to classic members in the future.

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
"classic members."			
Reduced Benefit Formulas & Increased Retirement Ages Creates a new defined benefit formula of 2% at age 62 for all new miscellaneous (non-safety) members with an early retirement age of 52 and a maximum benefit factor of 2.5% at age 67. Creates three new defined benefit formulas for new safety members with a normal retirement age at 50 and a maximum benefit factor at age 57. Also requires that new safety members be provided with the new formula that is the closest to the formula offered to classic members of the same classification and that provides a lower benefit at 55 years of age than the formula offered to classic members. Normal Ret Age / Maximum Benefit Factor Basic Formula: 1.426% at Age 50 / 2% at Age 57 and older Option Plan 1: 2% at Age 50 / 2.5% at Age 57 and older Option Plan 2: 2% at Age 50 / 2.7% at Age 57 and older	**7522.15** **7522.20** **7522.25**		**X**

* Currently, these provisions do not impact classic members directly. However, they prohibit public employers from offering such a benefit or option to classic members in the future.

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
An employer and its employees may agree by MOU to place new employees (hired after the date of the MOU) in a lower tier of safety benefits, but this change cannot be imposed through impasse procedures.			
Pensionable Compensation Cap Caps the annual salary that can be used to calculate final compensation for all new members, excluding judges, at $113,700 (2013 Social Security Contribution and Benefit Base) for employees that participate in Social Security or $136,440 (120% of the 2013 Contribution and Benefit Base) for those employees that do not participate in Social Security. Adjustments to the caps are permitted annually based on changes to the CPI for All Urban Consumers.	**7522.10**		**X**
Replacement Benefit Plans Prohibits a public employer from offering a plan of replacement benefits for new employees who are subject to the federal benefit limitations under Internal Revenue Code section 415(b). Also prohibits a public employer from offering a replacement benefit plan for any employee if the employer does not offer a plan of replacement	**7522.43**	*	**X**

* Currently, these provisions do not impact classic members directly. However, they prohibit public employers from offering such a benefit or option to classic members in the future.

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
benefits prior to January 1, 2013, or to any additional employee group that was not covered by an existing plan prior to January 1, 2013.			
Industrial Disability Retirement (IDR) Benefits for Public Safety Members In addition to the current calculation options for the IDR benefit for a safety member, this provision adds a calculation for a safety member who qualifies for an IDR that may result in a higher benefit than 50% of salary. This section remains in effect only until January 1, 2018. After that date, the new IDR provisions will not apply unless the date is extended by statute.	**7522.66** **21400**	**X**	**X**
Equal Sharing of Normal Cost • For public agencies, schools employers, the CSU, and the judicial branch, a new member's initial contribution rate[2] will be at least 50% of the total normal cost rate or the current contribution rate of similarly situated employees, whichever is greater, except where it would cause an existing Memorandum of Understanding (MOU) to be impaired. Once the impaired MOU is amended, extended, renewed, or expires, the new requirements will apply. CalPERS has interpreted "similarly situated	**7522.30** **20516.5** **20683.2**	**X**	**X**

[2] CalPERS has interpreted this provision to apply to new members rather than new employees.

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
employees" to mean those employees that are in the same benefit group (meaning those employees with the same benefit formula). • Employer Paid Member Contributions (EPMC) are also prohibited for new members employed by public agencies, school employers, the judicial branch or CSU. An exception to this prohibition exists where the employer's Memorandum of Understanding (MOU) would be impaired by the prohibition. If an employer determines that an existing MOU is impaired and communicates that decision to CalPERS, then any stated EPMC agreements will apply to new members through the duration of the MOU. Once the impaired MOU is amended, extended, renewed or expires, employers will no longer be able to report EPMC for new members. • For classic members of a public agency or school employer, the member contribution rate is not required to change. In addition, EPMC can continue to be reported as it is today for classic members pursuant to existing PERL provisions. • State employees (excluding new CSU members and new judicial branch members) will pay the contribution rates determined through bargaining and/or as provided by statute. For certain State employees, contribution rates will increase by a fixed			

* Currently, these provisions do not impact classic members directly. However, they prohibit public employers from offering such a benefit or option to classic members in the future.

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
percentage at specific dates beginning July 1, 2013. Rates increase and vary by bargaining unit and by classification. • Beginning on January 1, 2018, public agency and school employers that have collectively bargained in good faith and have completed impasse procedures, including mediation and fact finding, have the ability to unilaterally require classic members to pay up to 50% of the total normal cost of their pension benefit. However, the employee contribution may only be increased up to an 8% contribution rate for miscellaneous members, a 12% contribution rate for local police officers, local firefighters, and county peace officers, or an 11% contribution rate for all other local safety members.			
Cost Sharing of Employer Contributions Permits public agencies and their employees to agree to share the cost of the employer contribution with or without a change in benefit. These contributions are paid in addition to the member contribution rate. Allows cost-sharing agreements to differ by bargaining unit or for classifications of employees subject to different benefit levels as agreed to in an MOU. Also permits cost sharing of the employer costs for non-represented	**20516**	X	X

Summary of Public Employees' Pension Reform Act of 2013 and Related Changes to the Public Employees' Retirement Law

This summary is not intended to provide a comprehensive discussion of the Public Employees' Pension Reform Act of 2013 (PEPRA). This summary includes CalPERS current interpretations of the key areas of the law. CalPERS pension reform team continues to analyze PEPRA and the related changes to the Public Employees' Retirement Law (PERL) and, as such, this summary may be revised.

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
employees as approved in a resolution passed by the public agency.			
Close Legislators' Retirement System (LRS) to New Members Prohibits new members from participating in the LRS. However, new statewide constitutional and legislative statutory officers would still be eligible for optional membership in CalPERS.	**9355.4** **9355.41** **9355.45**		**X**
Equal Health Benefit Vesting Schedule for Non-Represented and Represented Employees Generally prohibits employers from providing a more advantageous health benefit vesting schedule to certain individuals (namely a public employee who is elected or appointed, a trustee, excluded from collective bargaining, exempt from civil service, or a manager) than it does for other public employees, including represented employees, of the same public employer who are in related retirement membership classifications.	**7522.40**	**X**	**X**
Prohibits Purchase of Additional Retirement Service Credit (ARSC) Prohibits the purchase of nonqualified service credit on or after January 1, 2013. This prohibition will not apply if an official application is received by CalPERS on or before December 31, 2012. Only applications from individuals who qualify to purchase ARSC	**7522.46**	**X**	**X**

* Currently, these provisions do not impact classic members directly. However, they prohibit public employers from offering such a benefit or option to classic members in the future.

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
on or before December 31, 2012, will be accepted. CalPERS is reviewing whether other types of nonqualified service credit may be impacted by this prohibition.			
Prohibits Retroactive Pension Benefit Enhancements Prohibits public employers from granting retroactive pension benefit enhancements that would apply to service performed prior to the date of the enhancement. In addition, if a change in a member's membership classification or employment results in a benefit enhancement, that enhancement can only be applied to service performed on or after the operative date of the change. This provision applies to both classic and new members. Annual cost-of-living adjustments are excluded from this prohibition.	**7522.44**	X	X
Prohibits Pension Holidays Requires that the combined employer and member contributions, in any fiscal year, not be lower than the total year's normal cost.	**7522.52**	X	X
Pensionable Compensation PEPRA uses the term "pensionable compensation" for the purpose of determining reportable compensation for new members. Pensionable compensation for new members is defined as "the normal monthly rate of pay or base pay of the member paid	**7522.34**		X

* Currently, these provisions do not impact classic members directly. However, they prohibit public employers from offering such a benefit or option to classic members in the future.

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules." Also specifically excludes certain types of pay from being reported as pensionable compensation, including, bonuses, overtime, pay for additional services outside normal working hours, cash payouts for unused leave (vacation, annual, sick leave, CTO, etc.,), and severance pay, among others. Also excludes any compensation determined by the retirement board to have been paid to increase a member's retirement benefit and any other form of compensation determined to be inconsistent with the statutory definition. CalPERS continues to evaluate what compensation can be reported by employers and will update employers once additional information is available. Existing compensation earnable provisions continue to apply for classic members.			
Requires Three-Year Final Compensation For new members, provides that final compensation means the highest average annual pensionable compensation earned by a member during a period of at least 36	**7522.32**	*	**X**

* Currently, these provisions do not impact classic members directly. However, they prohibit public employers from offering such a benefit or option to classic members in the future.

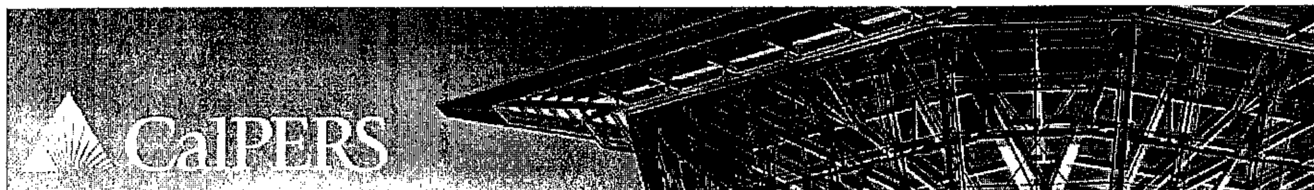
Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
consecutive months, or three school years, as applicable. Also prohibits a public employer from adopting a final compensation period of less than three years for classic members who are currently subject to a three-year final compensation period.			
Felons Forfeit Pension Benefits Requires both current and future public officials and employees to forfeit certain specified pension and related benefits if they are convicted of a felony in carrying out their official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, subject to certain requirements.	**7522.72** **7522.74**	**X**	**X**
Limits Post-Retirement Public Employment • Provides that a CalPERS retiree cannot serve, be employed by or be employed through a contract directly by a CaPERS employer unless he or she either reinstates or his or her employment satisfies the following conditions: o The person is appointed either during an emergency to prevent stoppage of public business or because the retired person has skills needed to perform work of limited duration; o The appointment does not exceed a total for all CalPERS employers of 960	**7522.56** **7522.57**	**X**	**X**

* Currently, these provisions do not impact classic members directly. However, they prohibit public employers from offering such a benefit or option to classic members in the future.

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
hours, or other equivalent limit, per fiscal year; and o The person's pay rate must be within the range paid by the employer to other employees performing comparable duties. • In addition, requires a 180-day waiting period before the retiree can return to work for a CalPERS employer without reinstating from retirement, except under certain specified circumstances. The 180-day waiting period generally does not apply to public safety officers or firefighters. However, the 180-day waiting period provision applies without exception to retirees who receive either a golden handshake or some other employer incentive to retire. • The 180-day waiting period starts on the date of retirement. Retired annuitants already employed before January 1, 2013, are not impacted by the 180-day waiting period. • A retiree who accepts an appointment after receiving unemployment insurance compensation must terminate that employment and will not be eligible for reappointment thereafter for 12 months. • Any public retiree appointed to a full-time position on a State board or commission on			

Brief Summary	SECTIONS	IMPACTS CLASSIC MEMBERS	IMPACTS NEW MEMBERS
or after January 1, 2013, will be required to suspend his or her retirement allowance and become an active member of CalPERS, unless the appointment is non-salaried.			
Contracting Agency Liability for Excessive Compensation Requires CalPERS (for plans it administers) to define a "significant increase" in actuarial liability due to increased compensation paid to a non-represented employee and further directs the Board to implement program changes to ensure that a public agency that creates a significant increase in actuarial liability bears the increased cost associated with that liability. CalPERS is working to develop the program changes and definitions necessary to administer these provisions.	**20791**	**X**	**X**
Alternate Retirement Program (ARP) ARP, a retirement savings program that certain State employees are automatically enrolled in for two years from their initial hire date, will be closed to new members effective July 1, 2013.	**20281.5**		**X**

* Currently, these provisions do not impact classic members directly. However, they prohibit public employers from offering such a benefit or option to classic members in the future.



Press Release

April 17, 2013

External Affairs Branch
(916) 795-3991
Robert Udall Glazier, Deputy Executive Officer
Brad Pacheco, Chief, Office of Public Affairs
Contact: Amy Norris, Information Officer
pressroom@calpers.ca.gov

CalPERS Board Approves New Actuarial Policies

New methods aimed at fully funding system

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) Board of Administration today approved new actuarial policies that are aimed at returning the System to fully-funded status within 30 years.

"This was one of the most difficult, yet most important decisions we have had to make," said Rob Feckner, President of the CalPERS Board. "Moving our plans more swiftly toward full funding will ensure a sustainable pension system for our members, employers and ultimately taxpayers over the long-term."

The new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses. The amortization would have a five-year ramp-up of rates at the start and a five-year ramp-down at the end.

At the Board's request, actuarial staff examined various alternatives to the adopted method to mitigate some impact of rate increases in the first several years of implementation. It was determined that although alternatives did provide lower rates up front, rates would be higher over time. However, the Board did delay the implementation of the new policy until 2015-16 for the State, schools and all public agencies.

In addition to closing the funding gap in 30 years, the new method will also help avoid large increases in employer contribution rates in extreme years, while maintaining a reasonable level of change in normal years.

"While this was a tough decision, it was the right thing to do for CalPERS," said Priya Mathur, Pension & Health Benefits Committee Chair. "Though rates will initially be higher in the short term, we can now provide better transparency and greater rate predictability, which our employers need for budgeting purposes."

Based on investment return simulations performed for the next 30 years, increasing contributions more rapidly in the short term is expected to result in almost a 25 percent improvement in funded status over a 30-year-period.

Find a detailed explanation of the new rate-smoothing methods, a video workshop and the Annual Review of Funding Levels and Risk.

CalPERS is the largest public pension fund in the U.S. with approximately $256 billion in assets. The retirement system administers retirement benefits for more than 1.6 million current and retired California State, public school and local public agency employees and their families on behalf of more than 3,000 public employers in the state, and health benefits for 1.3 million enrollees. For more information about CalPERS, visit www.calpers.ca.gov.

###

Dated: 04-17-2013

About CalPERS > Press Room > 2013 Press Releases > April 2013 Press Releases > CalPERS Takes Steps to Address Funding Level Risk

Press Release

April 16, 2013

External Affairs Branch
(916) 795-3991
Robert Udall Glazier, Deputy Executive Officer
Brad Pacheco, Chief, Office of Public Affairs
Contact: Amy Norris, Information Officer
pressroom@calpers.ca.gov

CalPERS Takes Steps to Address Funding Level Risk

Adopted policy part of long-term plan to return to fully-funded status

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) Pension & Health Benefits Committee today approved new actuarial policies that are aimed at returning the System to fully-funded status within 30 years. The full CalPERS Board will vote on the policies tomorrow.

The new rate-smoothing and amortization methods used when setting employer contributions were proposed by the Actuarial Office to address risk identified in the Annual Review of Funding Levels. That report was presented to the CalPERS Board of Administration by CalPERS Chief Actuary Alan Milligan during the Pension Fund's March Board meetings.

The report showed that most CalPERS plans are now between 65 and 80 percent funded. The desired goal is 100 percent funding, in which assets on hand are equal to the desired level of assets needed to pay pension benefits. Using current smoothing methods, progress toward 100 percent funded status is very slow for many plans. Despite significant gains in the investment portfolio, liabilities continue to grow faster than assets.

The Actuarial Office recommended, and the Pension & Health Benefits Committee approved, the rate-smoothing method with a 30-year fixed amortization period for gains and losses. The amortization would have a five year ramp up of rates at the start and a five-year ramp-down at the end.

In addition to reaching full funding in 30 years, the new method will also help avoid large increases in employer contribution rates in extreme years, while maintaining a reasonable level of change in normal years. However, employer contributions will rise by nearly 50 percent in the short-term as the plan is implemented. To mitigate the initial rate increases, the Committee voted to delay implementation for all employers including State and schools until Fiscal Year 2015-16.

"We understand that rate increases never come at a good time," said Priya Mathur, Pension & Health Benefits Committee Chair. "This is a difficult and important decision that we have been working toward for 18 months, involving our stakeholders in discussions at conferences, workshops and other meetings."

"Our goal with these changes is to move toward a stronger, sound and fully funded system," said Milligan. "The new rate-smoothing method is a significant step in that direction. We will need to consider our discount rate and asset allocation as well, but those are decisions for the future. I deeply appreciate the commitment of our Board to address the risks we face."

Based on investment return simulations performed for the next 30 years, using the newly adopted methods, in seven years, the State miscellaneous plan median employer contribution rate is expected to be 29.2 percent, but the plan has a median funded status of 103 percent in 30 years. In sum, increasing contributions more rapidly in the short term is expected to result in almost a 25 percent improvement in funded status over a 30-year-period.

Find a detailed explanation of the new rate-smoothing methods, a video workshop and the Annual Review of Funding Levels and Risk.

CalPERS is the largest public pension fund in the U.S. with approximately $256 billion in assets. The retirement system administers retirement benefits for more than 1.6 million current and retired California State, public school and local public agency employees and their families on behalf of more than 3,000 public employers in the state, and health benefits for 1.3 million enrollees. For more information about CalPERS, visit www.calpers.ca.gov.

###

Dated: 04-16-2013

California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (or **888**-225-7377)
TTY: (877) 249-7442
www.calpers.ca.gov

Reference No.:
Circular Letter No.: 200-019-13
Distribution: VI
Special:

Circular Letter

April 26, 2013

TO: **ALL PUBLIC AGENCY EMPLOYERS**

SUBJECT: **EMPLOYER RATE INCREASES DUE TO AMORTIZATION AND SMOOTHING POLICY CHANGES**

The purpose of this Circular Letter is to inform you of recent changes to the CalPERS amortization and smoothing policies. **These changes are expected to increase employer contribution rates in the near term but result in lower contribution rates in the long term.**

Background

At the April 17, 2013 meeting, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for the Fiscal Year 2015-16.

Analysis

The current amortization and smoothing policy was designed to reduce volatility in employer contribution rates. The policy has accomplished this goal fairly well since its adoption, however a number of concerns have developed:

- The use of an actuarial value of assets corridor can lead to significant single year increases to rates in years when there are large investment losses.
- The use of long asset smoothing periods and long rolling amortization periods result in slow progress toward full funding.
- The use of an actuarial value of assets requires the disclosure of two different funded statuses and unfunded liability numbers in actuarial valuation reports. This adds confusion and inhibits transparency.
- The use of rolling amortization and long asset smoothing periods makes it difficult for employers to predict when contribution rates will peak and how high that peak will be.

- The use of rolling amortization and asset smoothing periods may result in additional calculations for the new accounting standards. These calculations would be avoided with a quicker funded status recovery.

The adoption of the new smoothing and amortization policies will change future employer contribution rates. Changes are as follows:

- Funding levels will improve, which will reduce the funding level risk. The new methods will put your plan on a path to be fully funded in 30 years.
- Your plan will experience more rate volatility in normal years, but a much reduced chance of very large rate increases in years when there are large investment losses.
- Contribution rates in the near term will increase.
- Long term contribution rates will be lower.
- There will be greater transparency about the timing and impact of future employer contribution rate changes.
- The new policy eliminates the need for an actuarial value of assets. As a result, there will be only one funded status and unfunded liability in actuarial reports.
- There will be less confusion when the new accounting standards are implemented since there will be no need for extra liability calculations.

Expected Rate Increases Due to Changes

The following table can be used to gauge your agency's expected increase in employer contribution rates under the new amortization and smoothing policy.

The illustrated rates are based on public agency asset volatility ratios. The asset volatility ratio (AVR) is an agency's assets divided by their annual payroll. This ratio provides a measure of how sensitive an agency's contribution rate will be due to investment returns. For pooled plans, the AVR is the asset volatility ratio of the pool. Your plans AVR is provided in the risk analysis section of your annual actuarial report. The table shows the projected increases in employer contribution rates for Fiscal Years 2015-16 through 2019-20, assuming CalPERS earns 7.50 percent after 2011-12. Projections for Fiscal Year 2014-15 are not affected. As an extreme example, we have included a plan with an AVR of 15.

Cumulative Projected Increase in Employer Contribution Rate beyond the Projected Fiscal Year 2014-15 Rate

Fiscal Year	AVR of 4	AVR of 6	AVR of 8	AVR of 10	AVR of 15
2015 – 2016	1.1%	1.7%	2.2%	2.8%	4.2%
2016 – 2017	2.2%	3.4%	4.4%	5.6%	8.4%
2017 – 2018	3.3%	5.1%	6.6%	8.4%	12.6%
2018 – 2019	4.4%	6.8%	8.8%	11.2%	16.8%
2019 – 2020	5.5%	8.5%	11.0%	14.0%	21.0%

+ MFD SAFETY HAS AN AVR of 7
+ MFD MISC. HAS AN AVR of 4.6

For example, suppose your agency has an estimated 2014-15 contribution rate of 14.5 percent and an AVR of 4. Referring to the table above, under the AVR of 4 column, you can expect to see a 1.1 percent increase in your current employer contribution rate for 2015-16 resulting in a 15.6 percent rate, a 2.2 percent increase for 2016-17 for a 16.7 percent rate, and so forth until the rate reaches an expected maximum of 20.0 percent in Fiscal Year 2019-20.

Be aware these are only estimates since we do not know the final return on investments beyond June 30, 2012. Your employer rate will also differ due to your own plans demographic experience, or if you are in a pool, due to the pool's demographic experience.

Overall, these contribution increases will result in your plan being better funded in time and will ultimately result in lower contribution rates.

If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888**-225-7377).

ALAN MILLIGAN
Chief Actuary

Volatility Ratios

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

Asset Volatility Ratio

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

Liability Volatility Ratio

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

	As of June 30, 2011
1. Market Value of Assets without Receivables	$ 744,590,599
2. Payroll	160,900,495
3. Asset Volatility Ratio (1. / 2.)	4.6
4. Accrued Liability	1,023,127,404
5. Payroll	160,900,495
6. Liability Volatility Ratio (4. / 5.)	6.4

Volatility Ratios

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

Asset Volatility Ratio

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

Liability Volatility Ratio

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

	As of June 30, 2011
1. Market Value of Assets without Receivables	$ 1,573,915,872
2. Payroll	225,026,216
3. Asset Volatility Ratio (1. / 2.)	7.0
4. Accrued Liability	2,061,923,933
5. Payroll	225,026,216
6. Liability Volatility Ratio (4. / 5.)	9.2

Plan's Funded Status

	June 30, 2010		June 30, 2011
1. Present Value of Projected Benefits (PVB)	N/A	$	6,537,146
2. Entry Age Normal Accrued Liability	N/A		5,452,466
3. Plan's Actuarial Value of Assets (AVA)	N/A	$	4,747,992
4. Unfunded Liability (AVA Basis) [(2) - (3)]	N/A	$	704,474
5. Funded Ratio (AVA Basis) [(3) / (2)]	N/A		87.1%
6. Plan's Market Value of Assets (MVA)	N/A	$	4,290,152
7. Unfunded Liability (MVA Basis) [(2) - (6)]	N/A		1,162,314
8. Funded Ratio (MVA Basis) [(6) / (2)]	N/A		78.7%

Superfunded Status

	June 30, 2010	June 30, 2011
Is the plan Superfunded? [Yes if AVA exceeds PVB, No otherwise]	No	No

Projected Contributions

The rate shown below is an estimate for the employer contribution for Fiscal Year 2014/2015. The estimated rate is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2011/2012, namely 0%:

Projected Employer Contribution Rate: 19.1%

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.0% in the 2011/2012 fiscal year. Therefore, the projected employer contribution rate for 2014/2015 is just an estimate. Your actual rate for 2014/2015 will be provided in next year's report.

Plan's Funded Status

	June 30, 2010		June 30, 2011
1. Present Value of Projected Benefits (PVB)	N/A	$	61,682,942
2. Entry Age Normal Accrued Liability	N/A		50,943,352
3. Plan's Actuarial Value of Assets (AVA)	N/A	$	45,665,579
4. Unfunded Liability (AVA Basis) [(2) - (3)]	N/A	$	5,277,773
5. Funded Ratio (AVA Basis) [(3) / (2)]	N/A		89.6%
6. Plan's Market Value of Assets (MVA)	N/A	$	40,895,066
7. Unfunded Liability (MVA Basis) [(2) - (6)]	N/A		10,048,286
8. Funded Ratio (MVA Basis) [(6) / (2)]	N/A		80.3%

Superfunded Status

	June 30, 2010	June 30, 2011
Is the plan Superfunded? [Yes if AVA exceeds PVB, No otherwise]	No	No

Projected Contributions

The rate shown below is an estimate for the employer contribution for Fiscal Year 2014/2015. The estimated rate is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2011/2012, namely 0%:

Projected Employer Contribution Rate: 24.9%

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.0% in the 2011/2012 fiscal year. Therefore, the projected employer contribution rate for 2014/2015 is just an estimate. Your actual rate for 2014/2015 will be provided in next year's report.

Montecito Fire Protection District

Sample Funding Schedules (Closed Group)

Starting Fund Value of $2,746,320 as of July 1, 2013 ←

Fiscal Year Beginning	Pay-as-you-go	Level Contribution for 17 years	Level % of Unfunded Liability*	Constant Percentage Increase
2013	$414,412	$963,270	$869,335	$786,540
2014	479,843	963,270	841,980	810,136
2015	539,698	963,270	817,777	834,440
2016	604,665	963,270	796,256	859,473
2017	667,546	963,270	777,232	885,258
2018	732,482	963,270	760,355	911,815
2019	794,654	963,270	745,382	939,170
2020	838,191	963,270	731,984	967,345
2021	882,553	963,270	719,558	996,365
2022	927,077	963,270	707,949	1,026,256
2023	948,602	963,270	696,994	1,057,044
2024	966,172	963,270	686,166	1,088,755
2025	1,003,815	963,270	675,340	1,121,418
2026	1,029,379	963,270	664,748	1,155,061
2027	1,027,684	963,270	654,110	1,189,712
2028	1,055,387	963,270	643,017	1,225,404
2029	1,053,229	963,270	631,829	1,262,166
2030	1,071,042	0	620,153	0
2031	1,104,095	0	608,207	0
2032	1,102,931	0	596,075	0
2033	1,108,341	0	583,403	0
2034	1,149,115	0	570,255	0
2035	1,163,661	0	556,835	0
2036	1,149,316	0	542,898	0
2037	1,174,405	0	528,299	0
2038	1,178,573	0	513,215	0
2039	1,175,008	0	497,536	0
2040	1,164,287	0	481,250	0
2041	1,147,060	0	464,371	0
2042	1,112,290	0	440,504	0
2043	1,077,212	0	415,308	0
2044	1,032,640	0	391,555	0
2045	998,219	0	369,161	0
2046	966,628	0	348,050	0
2047	924,421	0	328,148	0
2048	885,054	0	309,384	0
2049	843,253	0	291,694	0
2050	812,033	0	275,016	0
2055	608,476	0	204,890	0
2060	424,411	0	152,644	0
2065	262,040	0	113,709	0
2070	129,870	0	129,870	0
2075	46,811	0	46,811	0

*Reverts to pay-as-you-go in 2068.

Montecito Fire Protection District

Sample Funding Schedules (Closed Group)

Beginning Fund Value of $633,471 as of July 1, 2010

Fiscal Year Beginning	Pay-as-you-go	Level Contribution for 20 years	Level % of Unfunded Liability*	Constant Percentage Increase
2010	$409,915	$1,024,775	$1,322,927	$810,788
2011	451,858	1,024,775	1,232,936	835,111
2012	494,864	1,024,775	1,152,409	860,165
2013	535,406	1,024,775	1,080,412	885,969
2014	575,176	1,024,775	1,015,974	912,549
2015	610,845	1,024,775	958,276	939,925
2016	650,303	1,024,775	906,476	968,123
2017	693,407	1,024,775	860,046	997,166
2018	742,417	1,024,775	818,480	1,027,081
2019	792,948	1,024,775	781,358	1,057,894
2020	823,440	1,024,775	748,159	1,089,631
2021	859,265	1,024,775	717,906	1,122,320
2022	900,604	1,024,775	690,353	1,155,989
2023	938,234	1,024,775	665,254	1,190,669
2024	964,519	1,024,775	642,178	1,226,389
2025	998,729	1,024,775	620,605	1,263,181
2026	1,026,959	1,024,775	600,445	1,301,076
2027	1,041,267	1,024,775	581,353	1,340,108
2028	1,072,394	1,024,775	562,926	1,380,312
2029	1,087,012	1,024,775	545,276	1,421,721
2030	1,112,879	0	528,011	0
2031	1,142,910	0	511,162	0
2032	1,153,624	0	494,633	0
2033	1,169,106	0	478,098	0
2034	1,199,081	0	461,540	0
2035	1,215,716	0	444,986	0
2036	1,214,325	0	428,232	0
2037	1,227,951	0	411,133	0
2038	1,231,631	0	393,745	0
2039	1,227,537	0	375,994	0
2040	1,218,708	0	357,860	0
2041	1,201,511	0	336,156	0
2042	1,173,522	0	306,036	0
2043	1,144,903	0	278,621	0
2044	1,108,987	0	253,668	0
2045	1,075,663	0	230,954	0
2050	876,015	0	144,539	0
2055	647,460	0	90,508	0
2060	438,951	0	56,696	0
2065	261,984	0	35,520	0
2070	124,974	0	22,244	0
2075	43,339	0	13,918	0

*Reverts to pay-as-you-go in 2077.