CalPERS

California Public Employees' Retirement System
Actuarial Office
P.O. Box 942709
Sacramento, CA 94229-2709
TTY: (916) 795-3240
(888) 225-7377 phone – (916) 795-2744 fax

October 2013

SAFETY PLAN OF THE CITY OF BIGGS
(CalPERS ID: 5474045695)
Annual Valuation Report as of June 30, 2012

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2012 actuarial valuation report of your pension plan. Because this plan is in a risk pool, the following valuation report has been separated into two Sections:

- Section 1 contains specific information for your plan, including the development of your pooled employer contribution amount, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to your plan, as of June 30, 2012.

The Section 2 report can be found on the CalPERS website at (www.calpers.ca.gov) Select in order, "Employers", "Actuarial, Risk Pooling & GASB 27 Information", "Risk Pooling", "Risk Pool Annual Valuation Reports", and then select the appropriate pool report.

Your 2012 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the Actuarial Certification Section on page 1, is available to discuss the report with you.

Changes since the Prior Year's Valuation

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect, however, the impact of most of the PEPRA changes will first show up in the contributions and the benefit provision listings of the June 30, 2013 valuation which will set the 2015-16 employer contributions.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, 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.

Besides the above noted changes, there may also be changes specific to your plan such as contract amendments and funding changes.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in "Appendix A", under "Actuarial Data" of your Section 2 report.

We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their result, we ask that you wait until after November 30 to contact us with actuarial questions. If you have other questions, please call our customer contact center at (888)-CalPERS or 888-(225-7377).

Sincerely,

ALAN MILLIGAN
Chief Actuary

ACTUARIAL VALUATION

as of June 30, 2012

for the
SAFETY PLAN
of the
CITY OF BIGGS

(CalPERS ID: 5474045695)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2014 - June 30, 2015

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Section 1

Plan Specific Information for the SAFETY PLAN of the CITY OF BIGGS

(CalPERS ID: 5474045695)
(Rate Plan: 1293)

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ACTUARIAL CERTIFICATION

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2012 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2012 provided by employers participating in the risk pool to which your plan belongs as well as benefit provisions under the CalPERS contracts for those employers.

As set forth in Section 2 of this report, the Pool Actuary has certified that, in her opinion, the valuation of the Risk Pool containing your SAFETY PLAN has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the Risk Pool, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for your plan, it is my opinion as your Plan Actuary that the Side Fund as of June 30, 2012 and employer contribution amount as of July 1, 2014, have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS, who is a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

STUART BENNETT, ASA, MAAA
Associate Pension Actuary, CalPERS
Plan Actuary

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HIGHLIGHTS AND EXECUTIVE SUMMARY

Introduction

This report presents the results of the June 30, 2012 actuarial valuation of the SAFETY PLAN of the CITY OF BIGGS of the California Public Employees' Retirement System (CalPERS). This actuarial valuation was used to set the 2014-15 required employer contribution rates.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. The impact of most of the PEPRA changes will first show up in the assumptions and the benefit provision listings of the June 30, 2013 valuation for the 2015-16 rates. For more information on PEPRA, please refer to the CalPERS website.

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 contributions for the Fiscal Year 2015-16.

As stewards of the System, CalPERS must ensure that the pension fund is sustainable over multiple generations. Our strategic plan calls for us to take an integrated view of our assets and liabilities and to take steps designed to achieve a fully funded plan. A review of the preferred asset allocation mix for CalPERS investment portfolio will be performed in late 2013 which will influence future discount rates. In addition CalPERS will review economic and demographic assumptions, including mortality rate improvements, that are likely to increase employer contribution rates in future years.

Purpose of Section 1

This section 1 report for the SAFETY PLAN of the CITY OF BIGGS of the California Public Employees' Retirement System (CalPERS) was prepared by the Plan Actuary in order to:

- Set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2012;
- Determine the required employer contribution amount for this plan for the fiscal year July 1, 2014 through June 30, 2015;
- Provide actuarial information as of June 30, 2012 to the CalPERS Board of Administration and other interested parties; and
- Provide pension information as of June 30, 2012 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Cost Sharing Multiple Employer Defined Benefit Pension Plan.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contributions

		Fiscal Year 2013-14		Fiscal Year 2014-15
Employer Contribution Required (in Projected Dollars)*				
Risk Pool's Net Employer Normal Cost	$	0	$	0
Risk Pool's Payment on Amortization Bases		2,736		3,801
Amortization of Side Fund		0		0
Total Employer Contribution	$	2,736	$	3,801

*** Required employer contributions for 2014-15, if any, will be due on January 1, 2015. Contact your plan actuary if you are interested in prepaying them.**

Plan's Funded Status

	June 30, 2011		June 30, 2012
1. Present Value of Projected Benefits (PVB)	377,964	$	382,329
2. Entry Age Normal Accrued Liability	377,964		382,329
3. Plan's Actuarial Value of Assets (AVA)	288,462	$	340,500
4. Unfunded Liability (AVA Basis) [(2) - (3)]	89,502	$	41,829
5. Funded Ratio (AVA Basis) [(3) / (2)]	76.3%		89.1%
6. Plan's Market Value of Assets (MVA)	255,482	$	283,777
7. Unfunded Liability (MVA Basis) [(2) - (6)]	122,482		98,552
8. Funded Ratio (MVA Basis) [(6) / (2)]	67.6%		74.2%

FINANCIAL AND DEMOGRAPHIC INFORMATION

Plan's Side Fund

At the time your plan joined the Risk Pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of your plan, in addition to your existing unfunded liability. The side fund for your plan as of the June 30, 2012 valuation is shown in the following table.

Your side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is 7.5 percent. A positive side fund will cause your required employer contribution amount to be reduced by the Amortization of Side Fund shown above in Required Employer Contributions. A negative side fund will cause your required employer contribution amount to be increased by the Amortization of Side Fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period shown below.

Plan's Side Fund Reconciliation

	June 30, 2011	June 30, 2012
Side Fund as of valuation date*	$ (61,988)	$ 0
Adjustments	0	0
Side Fund Payment	64,345	0
Side Fund one year later	$ 0	$ 0
Adjustments	0	0
Side Fund Payment	0	0
Side Fund two years later	$ 0	$ 0
Amortization Period	0	0
Side Fund Payment during last year	$ 0	$ 0

* The Side Fund has been adjusted for the increase in liability from any recently adopted Class 1 or Class 2 contract amendments. Also, the Side Fund may be adjusted or eliminated due to recent lump sum payments. Contract amendments and lump sum payments may result in an adjustment to the Side Fund amortization period.

Development of the Actuarial Value of Assets

	June 30, 2012
1. Plan's Accrued Liability	$ 382,329
2. Plan's Side Fund	0
3. Pool's Accrued Liability	839,968,292
4. Pool's Side Fund	(5,497,590)
5. Pool's Actuarial Value of Assets Including Receivables	743,174,027
6. Plan's Actuarial Value of Assets (AVA) Including Receivables [(1 + 2) / (3 + 4) x 5]	$ 340,500
7. Pool's Market Value of Assets (MVA) Including Receivables	$ 619,371,553
8. Plan's Market Value of Assets (MVA) Including Receivables [(1 + 2) / (3 + 4) x 7]	$ 283,777

Funding History

The Funding History below shows the actuarial accrued liability, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2011	$ 377,964	$ 255,482	$ 122,482	67.6%	$ 0
06/30/2012	382,329	283,777	98,552	74.2%	0

Hypothetical Termination Liability

Below is an estimate of the financial position of your plan if you had terminated your contract with CalPERS as of June 30 2012 using the discount rates shown below. Your plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. In August 2011, the CalPERS Board adopted a more conservative investment policy and asset allocation strategy for the Terminated Agency Pool. Since the Terminated Agency Pool has limited funding sources, expected benefit payments are secured by risk-free assets. With this change, CalPERS increased benefit security for members while limiting its funding risk. This asset allocation has a lower expected rate of return than the PERF. Consequently, the lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

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

Valuation Date	Hypothetical Termination Liability[1]	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Discount Rate[2]
06/30/2011	$ 527,454	$ 255,482	$ 271,972	48.4%	4.82%
06/30/2012	623,999	283,777	340,222	45.5%	2.98%

[1] The hypothetical liabilities calculated above include a 7 percent mortality load contingency in accordance with CalPERS Board policy. Other actuarial assumptions, such as wage and inflation assumptions, can be found in Appendix A of the Section 2 report.

[2] The discount rate assumption used for termination valuations is a weighted average of the 10 and 30-year US Treasury yields in effect on the valuation date that equal the duration of the pension liabilities. For purposes of this hypothetical termination liability estimate, the discount rate used, 2.98 percent, is the yield on the 30-year US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS) as of June 30, 2012. In last year's report the May 2012 rate of 2.87 percent was inadvertently shown rather than the June rate of 2.98 percent. Please note, as of June 30, 2013 the 30-year STRIPS yield was 3.72 percent.

Participant Data

The table below shows a summary of your plan's member data upon which this valuation is based:

	June 30, 2011	June 30, 2012
Projected Payroll for Contribution Purposes	$ 0	$ 0
Number of Members		
Active	0	0
Transferred	1	1
Separated	1	0
Retired	8	9

Information for Compliance with GASB Statement No. 27 for Cost-Sharing Multiple-Employer Defined Benefit Plan

Disclosure under GASB 27 follows. However, note that effective for financial statements for fiscal years beginning after June 15, 2014, GASB 68 replaces GASB 27; disclosure required under GASB 68 will require additional reporting. CalPERS is planning to provide GASB 68 disclosure information upon request for an additional fee. We urge you to start discussions with your auditors on how to implement GASB 68.

Your plan is part of the Inactive Agency Risk Pool, a cost-sharing multiple-employer defined benefit plan. Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2014 to June 30, 2015 has been determined by an actuarial valuation of the plan as of June 30, 2012. Your unadjusted contribution for the indicated period is $3,801. The employer and the employer's auditor are responsible for determining the contractually required contributions. Further, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years is to be disclosed under GASB 27.

A summary of principal assumptions and methods used to determine the contractually required contributions is shown below for the cost-sharing multiple-employer defined benefit plan.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	11 Years as of the Valuation Date*
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.45% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0%.

Complete information on assumptions and methods is provided in Appendix A of Section 2 of the report. Appendix B of Section 2 of the report contains a description of benefits included in the Risk Pool Actuarial Valuation.

A Schedule of Funding for the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll for the risk pool(s) to which your plan belongs can be found in Section 2 of the report.

*This is based on a combination of both underfunded and overfunded plans.

PLAN'S MAJOR BENEFIT PROVISIONS

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Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Appendix B within Section 2 of this report.

	Contract Package		
Benefit Provision	Receiving	Active	
Benefit Formula		2.0% @ 55	
Social Security Coverage		yes	
Full/Modified		modified	
Final Average Compensation Period		36 mos.	
Sick Leave Credit		yes	
Non-Industrial Disability		standard	
Industrial Disability		yes	
Pre-Retirement Death Benefits			
Optional Settlement 2W		yes	
1959 Survivor Benefit Level		no	
Special		yes	
Alternate (firefighters)		no	
Post-Retirement Death Benefits			
Lump Sum	$500	$500	
Survivor Allowance (PRSA)	no	no	
COLA	2%	2%	

Section 2

Section 2 may be found on the CalPERS website (www.calpers.ca.gov) then selecting:

- **Employers**
- **Actuarial & GASB 27 Information**
- **Risk Pooling**
- **Risk Pool Annual Valuation Report**