COUNTY OF SANTA CRUZ

PERSONNEL DEPARTMENT

701 OCEAN STREET, SUITE 310, SANTA CRUZ, CA 95060-4073
(831) 454-2600 FAX: (831) 454-2411 TDD: (831) 454-2123
DANIA TORRES WONG, DIRECTOR

August 27,2001

Agenda Date: September 11, 2001

Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, California 95060

ADOPT RESOLUTION AND ORDINANCE AND TAKE OTHER ACTIONS TO INITIATE CONTRACT AMENDMENT WITH THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM TO PROVIDE ONE-YEAR FINAL COMPENSATION FOR LOCAL MISCELLANEOUS AND SAFETY MEMBERS

Dear Members of the Board:

Your Board has approved a provision in the Memoranda of Understanding with the Law Enforcement, Sheriff's Supervisory, Correctional Officers, and Law Enforcement Middle Management Units to amend its contract with the Public Employees' Retirement System (PERS) to revise the period for the calculation of retirement benefits from an employee's 36-month highest compensation to 12-month highest compensation (One-Year Final Compensation Option) pursuant to Government Code Section 20042. The County agreed to such a provision provided that all other employee groups (Middle Management, Unrepresented Management, DA Inspector, District Attorney/Child Support Attorneys, and General Representation Unit) agreed to the provision of this benefit. The Personnel Department has contacted every employee organization and received no objections to the amendment to provide One-Year Final Compensation.

PERS requires that your Board adopt an ordinance approving the contract amendment and that such amendment must be applicable to all Miscellaneous members (Middle Management, Unrepresented Management, General Representation Unit, and District Attorney/Child Support Attorneys) and/or all Safety members (Law Enforcement, Law Enforcement Middle Management, Sheriff's Supervisory, Correctional Officers, District Attorney Inspectors and safety members in specified probation classes in the General and Middle Management Units and Executive Management). Adoption of this provision will result in the option being applied to all County employees in the Public Employees Retirement System (PERS).

The PERS contract amendment process requires the County to adopt the attached Resolution of Intention as well as an Ordinance that actually amends the PERS contract. The California Government Code requires at least a twenty (20) day waiting period between the Resolution of Intention and the Final Adoption of the Ordinance.

The fiscal impact due to the adoption of this plan amendment is estimated by an actuarial valuation from the Public Employees' Retirement System (attached) and is estimated as follows:

a. Miscellaneous Group: 0% change in Employer Rate

There is no cost to the County because there is no change in the Employer Contribution Rate.

b. Safety Group: 2.353% change in Employer Rate

There is an increased annual cost of approximately $434,534 to the County based on current payroll.

The Personnel Department has received the necessary documents from PERS to implement this change and amend the County's contract. The contract amendment process requires:

1. Adoption by your Board of the attached Resolution of Intention to amend the contract between the County and PERS;
2. Adoption and first reading by your Board of an Ordinance to amend the contract;
3. Certification of your actions by the Clerk of the Board by the completion of the attached Certification of Compliance with Government Code Section 7507;
4. Final approval and second reading of the Ordinance on October 2, 2001, which is at least 20 days after the first reading;
5. Execution of the contract amendment;
6. The proposed Ordinance will take effect on November 10, 2001, which is the first day of the next pay period after the effective date of the Ordinance.

Therefore, it is RECOMMENDED that your Board:

1. Adopt the attached Resolution of Intention to amend the County's contract with the Public Employees' Retirement System pursuant to Government Code Section 20042;
2. Adopt for first reading the attached Ordinance to amend the County's contract with the Public Employees' Retirement System;
3. Direct the Clerk of the Board to publish a public notice regarding the adoption of the Ordinance upon the first reading;
4. Direct the Clerk of the Board to immediately forward to the Public Employees' Retirement System a certified copy of the Resolution of Intention, Certification on Government Board's Action and Certification of Compliance with Government Code Section 7507;
5. Direct that the attached Ordinance be placed on your agenda for October 2, 2001, for a second reading;
6. Direct the Personnel Department to return with documents necessary to execute the contract once they are received from PERS.

Very truly yours,

Dania Torres Wong
Personnel Director

RECOMMENDED:

SUSAN A. MAURIELLO
County Administrative Officer

CC: Auditor-Payroll
SEIU - Local 415
Middle Management Association
District Attorney/Child Support Attorneys Association
Operating Engineers, Local 3
Personnel (3)

ORDINANCE NO. _____________

An Ordinance of the Board of Supervisors of the County of Santa Cruz authorizing an amendment to the contract between the Board of Supervisors of the County of Santa Cruz and the Board of Administration of the California Public Employees' Retirement System.

The Board of Supervisors of the County of Santa Cruz do ordain as follows:

Section I

That an amendment to the contract between the Board of Supervisors of the County of Santa Cruz and the Board of Administration, California Public Employees' Retirement System, to provide Section 20042 (One-Year Final Compensation) for Local Miscellaneous Members and for Local Safety Members, is hereby authorized, a copy of said amendment being attached hereto, marked Exhibit, and by such reference made a part hereof as though herein set out in full.

Section II

The Chairperson of the Board of Supervisors is hereby authorized, empowered, and directed to execute said amendment for and on behalf of the County of Santa Cruz.

Section III

The second reading of this Ordinance shall take place on October 2, 2001, more than 20 days after the first reading.

Section IV

This Contract amendment shall take effect on November 10, 2001.

Section V

This Ordinance shall take effect on the 31"' day after the date of its final passage, and prior to the expiration of ten days from the passage thereof shall be published at least once in the Register Pajaronian , a newspaper of general circulation, published and circulated in the County of Santa Cruz and thenceforth and thereafter the same shall be in full force and effect.

Adopted and approved this __________ day of ____________,2001

____
Chairperson Tony Campos

Attest:

____
Clerk

C:\PERS STUFF\RETIREMENT\ONE YEAR FINAL\OrdinanceRegPaj.doc

RECEIVED
2001 AUG 16 PM 1: 13
PERSONNEL DEPT.

RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
BOARD OF SUPERVISORS
COUNTY OF SANTA CRUZ

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 20042 (One-Year Final Compensation) for local miscellaneous members and local safety members.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

By:________________________________
Presiding Officer

____
Title

____
Date adopted and approved

(Amendment)
CON-302 (Rev. 4/96)

CalPERS

EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Board of Supervisors
County of Santa Cruz

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective January 1, 1947, and witnessed December 23, 1946, and as amended effective February 1, 1958, August 22, 1964, December 24, 1966, August 1, 1968, October 12, 1968, February 13, 1969, March 6, 1969, January 1, 1972, September 1, 1973, October 1, 1974, December 16, 1976, July 1, 1978, October 10, 1981, July 14, 1984, April 15, 1989, July 18, 1992, January 1, 1994, May 17, 1997 and April 13, 2000 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

Pursuant to Government Code sections 20460.1, 20469.1, subdivision (b), and 71624, this contract is hereby amended to add the Trial Court of Santa Cruz County, hereinafter referred to as Trial Court, as a contracting party. Trial Court shall participate in the Public Employees' Retirement System from and after the implementation date of the Trial Court Employment Protection and Governance Act pursuant to the terms and conditions of this contract, making its employees members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for in this contract and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency."

A. Paragraphs 1 through 13 are hereby stricken from said contract as executed effective April 13, 2000, and hereby replaced by the following paragraphs numbered **1** through 13 inclusive:

1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members and age 50 for local safety members.

2. Public Agency shall participate in the Public Employees' Retirement System from and after January 1, 1947 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

3. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:

   a. Local Fire Fighters (herein referred to as local safety members);

   b. County Peace Officers (included as local safety members);

   c. Employees other than local safety members (herein referred to as local miscellaneous members).

4. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:

   a. ASSESSMENT APPEALS BOARD MEMBERS HIRED ON OR AFTER AUGUST 1,1968; AND

   b. COMMUNITY ACTION PROGRAM PERSONNEL HIRED ON OR AFTER MARCH 6, 1969 WHOSE SALARIES ARE FUNDED BY GRANTS OR CONTRIBUTIONS PURSUANT TO PUBLIC LAW 88-452, THE ECONOMIC OPPORTUNITY ACT OF 1964, AND AMENDMENT THERETO.

5. Prior to January 1, 1975, those members who were hired by Public Agency on a temporary and/or seasonal basis not to exceed 6 months were excluded from PERS membership by contract. Government Code Section 20336 superseded this contract provision by providing that any such temporary and/or seasonal employees are excluded from PERS membership subsequent to January 1, 1975. Legislation repealed and replaced said Section with Government Code Section 20305 effective July 1, 1994.

6. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member shall be determined in accordance with Section 21354 of said Retirement Law subject to the reduction provided therein for Federal Social Security (2% at age **55** Modified and Full).

7. The percentage of final compensation to be provided for each year of credited prior and current service as a local safety member shall be determined in accordance with Section 21362 of said Retirement Law (2% at age 50 Full).

8. Public Agency elected and elects to be subject to the following optional provisions:

    a. Section 20437 ("County Peace Officer" shall include constables, deputy constables, marshals and deputy marshals as described in Government Code Section 20437).

    b. Section 21222.1 (One-Time 5% Increase - 1970). Legislation repealed said Section effective January 1, 1980.

    c. Section 21222.2 (One-Time 5% Increase - 1971). Legislation repealed said Section effective January 1, 1980.

    d. Section 21319 (One-Time 15% Increase for Local Miscellaneous Members Who Retired or Died Prior to July 1, 1971).

    e. Section 21571 (Basic Level of 1959 Survivor Benefits) for local fire members only.

    f. Section 21573 (Third Level of 1959 Survivor Benefits) for county peace officers only.

    g. Section 20439 ("County Peace Officer" shall include county jail, detention or correctional facility employees as described in Government Code Section 20439).

h. Section 20438 ("County Peace Officer" shall include probation officers, deputy and assistant probation officers, juvenile hall employees, and persons employed as peace officers pursuant to Section 830.5 of the Penal Code as described in Government Code Section 20438).

i Section 21583 (Second Opportunity to Elect 1959 Survivor Benefits) for county peace officers only.

j. Section 21024 (Military Service Credit as Public Service), Statutes of 1976.

k. Section 20042 (One-Year Final Compensation).

9. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on December 16, 1976. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.

10. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members and local safety members of said Retirement System.

11. Public Agency shall also contribute to said Retirement System as follows:

a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21573 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all county peace officers.

b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.

c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.

12. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

13. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _______________, ______

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY_______________________________
KENNETH W. MARZION, CHIEF
ACTUARIAL & EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF SUPERVISORS
COUNTY OF SANTA CRUZ

BY_______________________________
PRESIDING OFFICER

____
Witness Date

Attest:

____
Clerk

PLEASE DO NOT SIGN "EXHIBIT ONLY"

PLEASE DO NOT SIGN "EXHIBIT ONLY"

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Actuarial and Employer Services Division
Public Agency Contract Services
P.O. **Box** 942709
Sacramento, CA 94229-2709
(916) 326-3420

CERTIFICATION OF GOVERNING BODY'S ACTION

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the

____ of the
(governing body)

____
(public agency)

on ______________________
(date)

____
Clerk/Secretary

____
Title

PERS-CON-12 (rev. 1/96)

ORDINANCE NO. ______________

An Ordinance of the Board of Supervisors of the County of Santa Cruz authorizing an amendment to the contract between the Board of Supervisors of the County of Santa Cruz and the Board of Administration of the California Public Employees' Retirement System.

The Board of Supervisors of the County of Santa Cruz do ordain as follows:

Section I

That an amendment to the contract between the Board of Supervisors of the County of Santa Cruz and the Board of Administration, California Public Employees' Retirement System, to provide Section **20042** (One-Year Final Compensation) for Local Miscellaneous Members and for Local Safety Members, is hereby authorized, a copy of said amendment being attached hereto, marked Exhibit, and by such reference made a part hereof as though herein set out in full.

Section II

The Chairperson of the Board of Supervisors is hereby authorized, empowered, and directed to execute said amendment for and on behalf of the County of Santa Cruz.

Section III

The second reading of this Ordinance shall take place on October **2,2001,** more than **20** days after the first reading.

Section IV

This Contract amendment shall take effect on November **10,2001.**

Section V

This Ordinance shall take effect on the **31**st day after the date of its final passage, and prior to the expiration of ten days from the passage thereof shall be published at least once in the Santa Cruz Sentinel, a newspaper of general circulation, published and circulated in the County of Santa Cruz and thenceforth and thereafter the same shall be in full force and effect.

Adopted and approved this ___________ day of _____________, **2001.**

____
Chairperson Tony Campos

Attest:

____
Clerk

CONTRACT AMENDMENT COST ANALYSIS - VALUATION BASIS: JUNE 30,1999
MISCELLANEOUS PLAN FOR COUNTY OF SANTA CRUZ

EMPLOYER NUMBER 138
Benefit Description: Section 20042, One-Year Final Compensation

The table below shows the change in the total present value of benefits for the proposed plan amendment. The present value of benefits represents the total dollars needed today to fund all future benefits for current members of the plan, i.e. without regard to future employees. The difference between this amount and current plan assets must be paid by future employee and employer contributions. **As** such, the change in the present value of benefits due to the plan amendment represents the "cost" of the plan amendment. However, for plans with excess assets some or all of this "cost" may already be covered by current excess assets.

	Pre-Amendment	Change Due to Plan Amendment & Method Change	Post-Amendment Post Method Change
Total Present Value of Benefits	**$ 360,118,296**	$ **11,846,024**	$ **371,964,320**
Actuarial Value of Plan Assets	**344,993,285**	0	**344,993,285**
Present Value of Future Employer and Employee Contributions	**$ 15,125,011**	$ 11,846,024	$ **26,971,035**

It is not required, nor necessarily desirable, to have accumulated assets sufficient to cover the total present value of benefits until every member has left employment. Instead, the actuarial funding process calculates a regular contribution schedule of employee contributions and employer contributions (called normal costs) which are designed to accumulate with interest to equal the total present value of benefits by the time every member has left employment. **As** of each June 30, the actuary calculates the "desirable" level of plan assets as of that point in time by subtracting the present value of scheduled future employee contributions and future employer normal costs from the total present value of benefits. The resulting "desirable" level of assets is called the accrued liability.

A plan with assets exactly equal to the plan's accrued liability is simply "on schedule" in funding that plan, and only future employee contributions and future employer normal costs are needed. **A** plan with assets below the accrued liability is "behind schedule", or is said to have an unfunded liability, and must temporarily increase contributions to get back on schedule. **A** plan with assets in excess of the plan's accrued liability is "ahead of schedule", or is said to have excess assets, and can temporarily reduce future contributions. **A** plan with assets in excess of the total present value of benefits is called super-funded, and neither future employer nor employee contributions are required. Of course, events such as plan amendments and investment or demographic gains or losses can change a plan's condition from year to year. For example, a plan amendment could cause a plan to move all the way from being super-funded to being in an unfunded position.

CONTRACT AMENDMENT COST ANALYSIS - VALUATION BASIS: JUNE 30,1999
MISCELLANEOUS PLAN FOR COUNTY OF SANTA CRUZ

EMPLOYER NUMBER 138
Benefit Description: Section 20042, One-Year Final Compensation

The changes in your plan's accrued liability, unfunded accrued liability, and the funded ratio as of June 30, 1999 due to the plan amendment are shown in the table below.

	Pre-Amendment	Change Due to Plan Amendment & Method Change	Post-Amendment Post Method Change
Accrued Liability	**$ 260,849,303**	**$ 7,668,787**	**$ 268,518,090**
Assets	**344,993,285**	0	**344,993,285**
Unfunded Liability	$ **(84,143,982)**	$ **7,668,787**	**$ (76,475,195)**
Funded Ratio	**132.3%**		**128.5%**

While the tables above give the changes in the "cost" and funded status of the plan due to the amendment, there remains the question of what will happen to the employer contribution rate because of the change in plan provisions.

CalPERS policy is to implement rate changes due to plan amendments immediately on the effective date of the change in plan benefits. In general, the policy also provides that the change in unfunded liability due to the plan amendment will be separately amortized over a period of 20 years from the effective date of the amendment and all other components of the plan's unfunded liability/excess assets will continue to be amortized separately.

However, special rules may be applied to plans with a current employer contribution rate of zero. The pre-amendment excess assets in these plans were sufficient to cover the employer's normal cost for one or more years into the future. **A** plan amendment will use up some or all of the pre-amendment excess assets. If there is still excess assets (i.e. if the plan is still ahead of schedule) after the plan amendment, the remaining excess assets were spread over the greater of 10 years or the number of years for which the excess assets would keep the employer rate equal to zero. If the amendment uses up all excess assets and creates an unfunded liability (i.e. from being ahead of schedule to behind schedule), the post-amendment unfunded liability was amortized over 20 years.

The table below shows the immediate short-term change in your plan's employer contribution rate due to the plan amendment.

Rate Component	Pre-Amendment	Change Due to Plan Amendment & Method Change	Post-Amendment Post Method Change
Normal Cost	**6.580%**	**0.571%**	7.151%
Unfunded/Excess Asset Cost	(6.580)%	(0.571)%	**(7.151)%**
1959 Survivor	0.000%	0.000%	0.000%
Total Employer Rate	0.000%	0.000%	0.000%
Amortization Period	23 Years		16 Years

CONTRACT AMENDMENT COST ANALYSIS - VALUATION BASIS: JUNE 30,1999
MISCELLANEOUS PLAN FOR COUNTY OF SANTA CRUZ

EMPLOYER NUMBER 138
Benefit Description: Section 20042, One-Year Final Compensation

---

Note that the change in normal cost in the table above may be much more indicative of the long term change in the employer contribution rate due to the plan amendment. The plan's unfunded liabilitylexcess asset cost shown in the table above is a temporary adjustment to the employer contribution to "get the plan back on schedule". This temporary adjpstment to the employer rate varies in duration from plan to plan. For example, a plan with initial excess assets being amortized over a short period of time will typically experience a large rate increase when excess assets are fully amortized. While a plan amendment for such a plan may produce little or no increase in the employer contribution rate now, the change in normal cost due to the plan amendment will become fully reflected in the employer contribution rate as soon as initial excess assets are fully amortized.

If your agency is requesting cost information for two or more benefit changes, the cost of adopting more than one of these changes may not be obtained by adding the individual costs: Instead, a separate valuation should be done to provide a cost analysis for the combination of benefit changes. If the proposed plan amendment applies to only some of the employees in the plan, the rate change due to the plan amendment still applies to the entire plan, and is still based on the total plan payroll.
Please note that the cost analysis provided in this document may not be relied upon once the CalPERS actuarial staff have completed the next annual valuation, that is, theannual valuation as of June 30,2000. If you have not taken action to amend your contract, and we have already mailed the June 30, 2000 annual valuation report, you must contact our office for an updated cost analysis, based on the new annual valuation.

This actuarial valuation for this proposed plan amendment is based on the participant, benefits, and asset data used in the June 30, 1999 annual valuation, with the benefits modified if necessary to reflect what is currently provided under your contract with CalPERS, and further modified to reflect the proposed plan amendment. Descriptions of the actuarial methodologies, actuarial assumptions, and plan benefit provisions may be found in the appendices of the June 30, 1999 annual report. Please note that the results shown here are subject to change if any of the data or plan provisions changes from what was used in this study. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

David Clement

David Clement, A.S.A., M.A.A.A., **E.A**
Associate Pension Actuary, CalPERS

Fin Process Ids: Annual-50761 Base-63850 Proposal-63851

CONTRACT AMENDMENT COST ANALYSIS - VALUATION BASIS: JUNE 30,1999
SAFETY PLAN FOR COUNTY OF SANTA CRUZ

EMPLOYER NUMBER 138
Benefit Description: Section 20042, One-Year Final Compensation

The table below shows the change in the total present value of benefits for the proposed plan amendment. The present value of benefits represents the total dollars needed today to fund all future benefits for current members of the plan, i.e. without regard to future employees. The difference between this amount and current plan assets must be paid by future employee and employer contributions. **As** such, the change in the present value of benefits due to the plan amendment represents the "cost" of the plan amendment. However, for plans with excess assets some or all of this "cost" may already be covered by current excess assets.

	Pre-Amendment	Change Due to Plan Amendment & Method Change	Post-Amendment Post Method Change
Total Present Value of Benefits	$ 106,608,293	$ 4,184,807	$ 110,793,100
Actuarial Value of Plan Assets	90,383,686	0	90,383,686
Present Value of Future Employer and Employee Contributions	$ 16,224,607	$ 4,184,807	$ 20,409,414

It is not required, nor necessarily desirable, to have accumulated assets sufficient to cover the total present value of benefits until every member has left employment. Instead, the actuarial funding process calculates a regular contribution schedule of employee contributions and employer contributions (called normal costs) which are designed to accumulate with interest to equal the total present value of benefits by the time every member has left employment. **As** of each June 30, the actuary calculates the "desirable" level of plan assets as of that point in time by subtracting the present value of scheduled future employee contributions and future employer normal costs from the total present value of benefits. The resulting "desirable" level of assets is called the accrued liability.

A plan with assets exactly equal to the plan's accrued liability is simply "on schedule" in funding that plan, and only future employee contributions and future employer normal costs are needed. **A** plan with assets below the accrued liability is "behind schedule", or is said to have an unfunded liability, and must temporarily increase contributions to get back on schedule. **A** plan with assets in excess of the pian's accrued liability is "ahead of schedule", or is said to have excess assets, and can temporarily reduce future contributions. **A** plan with assets in excess of the total present value of benefits is called super-funded, and neither future employer nor employee contributions are required. Of course, events such as plan amendments and investment or demographic gains or losses can change a plan's condition from year to year. For example, a plan amendment could cause a plan to move all the way from being super-funded to being in an unfunded position.

CONTRACT AMENDMENT COST ANALYSIS - VALUATION BASIS: JUNE 30,1999
SAFETY PLAN FOR COUNTY OF SANTA CRUZ

EMPLOYER NUMBER 138
Benefit Description: Section 20042, One-Year Final Compensation

The changes in your plan's accrued liability, unfunded accrued liability, and the funded ratio as of June 30, 1999 due to the plan amendment are shown in the table below.

	Pre-Amendment	'Change Due to Plan Amendment & Method Change	Post-Amendment Post Method Change
Accrued Liability	$ 73,819,286	$ 2,596,686	$ 76,415,972
Assets	90,383,686	0	90,383,686
Unfunded Liability	$ (16,564,400)	$ 2,596,686	$ (13,967,714)
Funded Ratio	122.4%		118.3%

a

While the tables above give the changes in the "cost" and funded status of the plan due to the amendment, there remains the question of what will happen to the employer contribution rate because of the change in plan provisions.

CalPERS policy is to implement rate changes due to plan amendments immediately on the effective date of the change in plan benefits. In general, the policy also provides that the change in unfunded liability due to the plan amendment will be separately amortized over a period of 20 years from the effective date of the amendment and all other components of the plan's unfunded liability/excess assets will continue to be amortized separately.

However, special rules may be applied to plans with a current employer contribution rate of zero. The pre-amendment excess assets in these plans were sufficient to cover the employer's normal cost for one or more years into the future. **A** plan amendment will use up some or all of the pre-amendment excess assets. If there is still excess assets (i.e. if the plan is still ahead of schedule) after the plan amendment, the remaining excess assets were spread over the greater of 10 years or the number of years for which the excess assets would keep the employer rate equal to zero. If the amendment uses up all excess assets and creates an unfunded liability (i.e. from being ahead **of** schedule to behind schedule), the post-amendment unfunded liability was amortized over 20 years.

The table below shows the <u>immediate short-term</u> change in your plan's employer contribution rate due to the plan amendment.

Rate Component	Pre-Amendment	Change Due to Plan Amendment & Method Change	Post-Amendment Post Method Change
Normal Cost	11.515%	0.983%	12.498%
Unfunded/Excess Asset Cost	(10.104)%	1.370%	(8.734)%
1959 Survivor	0.000%	0.000%	0.000%
Total Employer Rate	1.411%	2.353%	3.764%
Amortization Period	Multiple Years	20 Years	Multiple Years

CONTRACT **AMENDMENT** COST **ANALYSIS - VALUATION BASIS: JUNE 30, 1999**
SAFETY PLAN FOR COUNTY OF **SANTA CRUZ**

EMPLOYER NUMBER 138
Benefit Description: Section **20042,** One-Year Final Compensation

---

Note that the change in normal cost in the table above may be much more indicative of the long term change in the employer contribution rate due to the plan amendment. The plan's unfunded liability/excess asset cost shown in the table above is a temporary adjustment to the employer contribution to "get the plan back on schedule". This temporary adjustment to the employer rate varies in duration from plan to plan. For example, a plan with initial excess assets being amortized over a short period of time will typically experience a large rate increase when excess assets are fully amortized. While a plan amendment for such a plan may produce little or no increase in the employer contribution rate now, the change in normal cost due to the plan amendment will become fully reflected in the employer contribution rate as soon as initial excess assets are fully amortized.

If your agency is requesting cost information for two or more benefit changes, the cost of adopting more than one of these changes may not be obtained by adding the individual costs. Instead, **a** separate valuation should be done to provide a cost analysis for the combination of benefit changes. If the proposed plan amendment applies to only some of the employees in the plan, the rate change due to the plan amendment still applies to the entire plan, and is still based on the total plan payroll.
Please note that the cost analysis provided in this document may not be relied upon once the CalPERS actuarial staff have completed the next annual valuation, that is, the annual valuation as of June 30, 2000. If you have not taken action to amend your contract, and we have already mailed the June 30, 2000 annual valuation report, you must contact our office for an updated cost analysis, based on the new annual valuation.

This actuarial valuation for this proposed plan amendment is based on the participant, benefits, and asset data used in the June 30, 1999 annual valuation, with the benefits modified if necessary to reflect what is currently provided under your contract with CalPERS, and further modified to reflect the proposed plan amendment. Descriptions of the actuarial methodologies, actuarial assumptions, and plan benefit provisions may be found in the appendices of the June 30, 1999 annual report. Please note that the results shown here are subject to change if any of the data or plan provisions changes from what was used in this study. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards ofpractice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

David Clement

David Clement, A.S.A., M.A.A.A., E.A.
Associate Pension Actuary, CalPERS

Fin Process Ids: Annual-50566 Base-63852 Proposal-63853