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**October 2013**

**SAFETY FIRE PLAN OF THE CITY OF COSTA MESA  
(CalPERS ID: 5937664258)  
Annual Valuation Report as of June 30, 2012**

Dear Employer,

As an attachment to this letter, you will find a copy of Section 1 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 rate, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to your plan, as of June 30, 2012.

Section 2 can be found on the CalPERS website at ([www.calpers.ca.gov](http://www.calpers.ca.gov)) then select in order "Employers", "Actuarial, Risk Pooling & GASB 27 Information", "Risk Pooling", "Risk Pool Annual Valuation Reports", 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 your report with you.

**Future Contribution Rates**

The exhibit below displays the Minimum Employer Contribution Rate, before any cost sharing, for 2014-15 along with estimates of the contribution rate for 2015-16. The estimated rate for 2015-16 is based on a projection of the most recent information we have available, including an estimated 12% investment return for fiscal 2012-13, and the impact of the new smoothing methods adopted by the CalPERS Board in April 2013 that will impact employer rates for the first time in 2015-16. See Section 2 Risk Analysis, "Analysis of Future Investment Return Scenarios", for how much the Risk Pool's portion of your rate is expected to increase beyond 2015-16 under a variety of investment return scenarios. Please disregard any projections provided to you in the past.

Fiscal Year	Employer Contribution Rate
2014-15	47.452%
2015-16	49.5% (projected)

Member contributions, other than cost sharing (whether paid by the employer or the employee), are in addition to the above rates. **The employer contribution rates in this report do not reflect any cost sharing arrangements you may have with your employees.**

**The estimate for 2015-16 assumes unfunded liability payments will continue to be allocated on and amortized over payroll increasing 3% per year. However, effective January 1, 2013 the Public Employees' Pension Reform Act of 2013 (PEPRA) will result in a shift of new members away from existing pools. This is expected to reduce the payroll increases for these pools. As a result, effective with the June 30, 2013 valuation, CalPERS may need to change its method of allocating pooled plan unfunded liability. These potential changes in allocating pooled plan unfunded liability could significantly impact 2015-16 and later rates.**

The estimate for 2015-16 also assumes that there are no future contract amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.) This is a very important assumption because these gains and losses do occur and can have a significant effect on your contribution rate. Even for the largest plans or pools, such gains and losses can impact the employer's contribution rate by one or two percent of payroll or even more in some less common circumstances. These gains and losses cannot be predicted in advance so the projected employer contribution rates are just estimates. Your actual rate for 2015-16 will be provided in next year's valuation report.

### **Changes since the Prior Year's Valuation**

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 rates and the benefit provision listings of the June 30, 2013 valuation which sets the contribution rates for the 2015-16 fiscal year. For more detailed information on changes due to PEPRA, please refer to the CalPERS website.

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. The impact of this new actuarial methodology is reflected in the "*Analysis of Future Investment Return Scenarios*" subsection of the "*Risk Analysis*" section of your Section 2 report.

A review of the preferred asset allocation mix for CalPERS investment portfolio will be performed in late 2013, which could 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. The "Analysis of Future Investment Return Scenarios" subsection does not reflect the impact of assumption changes that we expect will also impact future rates.

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, "*Statement of Actuarial Data, Methods and Assumptions*" 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 related questions.

If you have other questions, please call our customer contact center at (888) CalPERS or (888-**225-7377**).

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Milligan". The signature is fluid and cursive, with a long horizontal stroke at the end.

ALAN MILLIGAN  
Chief Actuary

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# **ACTUARIAL VALUATION**

as of June 30, 2012

**for the  
SAFETY FIRE PLAN  
of the  
CITY OF COSTA MESA  
(CalPERS ID: 5937664258)**

**REQUIRED CONTRIBUTIONS  
FOR FISCAL YEAR**

**July 1, 2014 - June 30, 2015**

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# TABLE OF CONTENTS

**SECTION 1 – PLAN SPECIFIC INFORMATION**

**SECTION 2 – RISK POOL ACTUARIAL VALUATION INFORMATION**

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# Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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**Plan Specific Information  
for the  
SAFETY FIRE PLAN  
of the  
CITY OF COSTA MESA**

**(CalPERS ID: 5937664258)  
(Rate Plan: 3323)**

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# TABLE OF CONTENTS

<b>ACTUARIAL CERTIFICATION</b>	<b>1</b>
<b>HIGHLIGHTS AND EXECUTIVE SUMMARY</b>	<b>3</b>
• <b>INTRODUCTION</b>	<b>3</b>
• <b>PURPOSE OF SECTION 1</b>	<b>3</b>
• <b>REQUIRED EMPLOYER CONTRIBUTION</b>	<b>4</b>
• <b>PLAN'S FUNDED STATUS</b>	<b>5</b>
• <b>PROJECTED CONTRIBUTIONS</b>	<b>5</b>
• <b>RATE VOLATILITY</b>	<b>6</b>
<b>FINANCIAL AND DEMOGRAPHIC INFORMATION</b>	<b>7</b>
• <b>PLAN'S SIDE FUND</b>	<b>7</b>
• <b>DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS</b>	<b>8</b>
• <b>FUNDING HISTORY</b>	<b>8</b>
• <b>PLAN'S TOTAL NORMAL COST RATE</b>	<b>8</b>
• <b>HYPOTHETICAL TERMINATION LIABILITY</b>	<b>9</b>
• <b>PARTICIPANT DATA</b>	<b>10</b>
• <b>LIST OF CLASS 1 BENEFIT PROVISIONS</b>	<b>10</b>
<b>INFORMATION FOR COMPLIANCE WITH GASB STATEMENT NO. 27</b>	<b>11</b>
<b>PLAN'S MAJOR BENEFIT OPTIONS</b>	<b>15</b>

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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 and benefit provisions under the CalPERS contracts for those agencies.

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 FIRE 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 of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law. Changes to the pool that will occur as a result of PEPPA are not reflected in this report.

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 rate 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.



KERRY J. WORGAN, MAAA, FSA, FCIA  
Senior 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 FIRE PLAN of the CITY OF COSTA MESA 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.

On April 17, 2013, 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.

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 FIRE PLAN of the CITY OF COSTA MESA 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 rate 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.

**SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY FIRE PLAN OF THE CITY OF COSTA MESA**

## Required Employer Contribution

	<b>Fiscal Year</b>	<b>Fiscal Year</b>
<b>Actuarially Determined Employer Contributions:</b>	<b>2013-14</b>	<b>2014-15</b>
Required Employer Contributions (in Projected Dollars)		
Risk Pool's Net Employer Normal Cost	\$ 1,832,899	\$ 1,834,927
Risk Pool's Payment on Amortization Bases	758,405	991,216
Surcharge for Class 1 Benefits		
a) FAC 1	101,004	101,771
b) PRSA	177,915	179,466
Phase out of Normal Cost Difference	0	0
Amortization of Side Fund	<u>1,826,662</u>	<u>1,881,462</u>
Total Employer Contribution	\$ 4,696,885	\$ 4,988,842
Projected Payroll for the Contribution Fiscal Year	10,296,027	\$ 10,513,535
	\$	
Required Employer Contributions (Percentage of Payroll)		
Risk Pool's Net Employer Normal Cost	17.802%	17.453%
Risk Pool's Payment on Amortization Bases	7.366%	9.428%
Surcharge for Class 1 Benefits		
a) FAC 1	0.981%	0.968%
b) PRSA	1.728%	1.707%
Phase out of Normal Cost Difference	0.000%	0.000%
Amortization of Side Fund	<u>17.741%</u>	<u>17.896%</u>
Total Employer Contribution	45.618%	47.452%
<b>Minimum Employer Contribution Rate<sup>1</sup></b>	<b>45.618%</b>	<b>47.452%</b>
<b>Annual Lump Sum Prepayment Option<sup>2</sup></b>	\$ 4,530,078	\$ 4,811,666

Appendix C of Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

Risk pooling was implemented for most plans as of June 30, 2003. The normal cost difference was scheduled to be phased out over a five year period. The phase out of normal cost difference is 100 percent for the first year of pooling, and is incrementally reduced by 20 percent of the original normal cost difference for each subsequent year.

<sup>1</sup> The Minimum Employer Contribution Rate under PEPPRA is the greater of the required employer rate or the total employer normal cost.

<sup>2</sup> Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30. **The prepayment amount applies only to this plan. Please note that it is not possible to prepay contributions for new plans that had no reported membership prior to June 30, 2012.**



**SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY FIRE PLAN OF THE CITY OF COSTA MESA**

## Plan's Funded Status

	<b>June 30, 2011</b>		<b>June 30, 2012</b>
1. Present Value of Projected Benefits (PVB)	181,643,317	\$	186,015,053
2. Entry Age Normal Accrued Liability	156,290,468		161,328,098
3. Plan's Actuarial Value of Assets (AVA)	116,350,761	\$	120,181,921
4. Unfunded Liability (AVA Basis) [(2) - (3)]	39,939,707	\$	41,146,177
5. Funded Ratio (AVA Basis) [(3) / (2)]	74.5%		74.5%
6. Plan's Market Value of Assets (MVA)	103,982,067	\$	100,677,450
7. Unfunded Liability (MVA Basis) [(2) - (6)]	52,308,401		60,650,648
8. Funded Ratio (MVA Basis) [(6) / (2)]	66.5%		62.4%

## Projected Contributions

The rate shown below is an estimate for the employer contribution for Fiscal Year 2015-16. 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 2012-13, namely 12 percent. It also reflects implementation of the more conservative rate smoothing method mentioned earlier.

Projected Employer Contribution Rate: 49.5%

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 percent in the 2012-13 fiscal year. Therefore, the projected employer contribution rate for 2015-16 is just an estimate. Your actual rate for 2015-16 will be provided in next year's valuation report.

## Rate Volatility

Your plan's employer contribution rate will inevitably fluctuate, for many reasons. One of the biggest causes of fluctuations for pooled plans has been from changes in the side fund rate resulting from unexpected changes in payroll. The following figure shows how much your 2015-16 side fund rate would change for each 1 percent deviation between our 3 percent payroll growth assumption and your actual 2012-13 payroll growth.

### **POTENTIAL 2015-16 RATE IMPACT FROM 2012-13 PAYROLL DEVIATION**

**% Rate Change per 1% Deviation from Assumed 3.0% Payroll Growth:** (0.172%)

Examples: To see how your employer contribution rate might be affected by unexpected payroll change, suppose the following:

- The Percentage Rate Change per 1 percent Deviation figure given above is -0.400%
- Your plan's payroll increased 10 percent in 2012-13 (7.0 percent more than our 3.0 percent assumption).

Then your 2015-16 rate would decrease  $-0.400\% \times (10 - 3.0) = 2.80\%$  from that cause alone.

Or conversely, using the same Percentage Rate Change per 1 percent Deviation figure given above, suppose your plan's payroll remained the same in 2012-13 (3.0 percent less than our 3.0 percent assumption).

Then your 2015-16 rate would increase  $-0.400\% \times (0 - 3.0) = 1.2\%$  from that cause alone.

Note that if your plan had a negative side fund, an unexpected payroll increase would spread the payback of the negative side fund over a bigger payroll, which would decrease your plan's side fund percentage rate and the total employer contribution rate. On the other hand, if your plan had a positive side fund, an unexpected payroll increase would spread the payback of the positive side fund over a larger payroll, which would increase your plan's side fund percentage rate and the total employer contribution rate. In either case, the amortization of Side Fund dollar amount would not change.

Another big cause of rate fluctuations has been from investment return volatility. The degree to which your plan's rates may be susceptible to investment return volatility is described in the Risk Analysis section of your Section 2 report under "Volatility Ratios".

## 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 rate 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 rate 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

	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Side Fund as of valuation date*	\$ (24,530,390)	\$ (24,803,797)
Adjustments	0	0
Side Fund Payment	1,568,069	1,661,369
Side Fund one year later	\$ (24,803,797)	\$ (24,941,538)
Adjustments	0	0
Side Fund Payment	1,661,369	1,826,662
Side Fund two years later	\$ (24,941,538)	\$ (24,918,230)
Amortization Period	21	20
Side Fund Payment during last year	\$ 1,826,662	\$ 1,881,462

\* If your agency employed superfunded vouchers in fiscal year 2011-12 to pay employee contributions, the June 30, 2012 Side Fund amount has been adjusted by a like amount without any further adjustment to the Side Fund's amortization period. Similarly, 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.

**SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY FIRE PLAN OF THE CITY OF COSTA MESA**

## Development of the Actuarial Value of Assets

		<b>June 30, 2012</b>
1. Plan's Accrued Liability	\$	161,328,098
2. Plan's Side Fund		(24,803,797)
3. Pool's Accrued Liability		11,724,021,480
4. Pool's Side Fund		(529,176,284)
5. Pool's Actuarial Value of Assets Including Receivables		9,854,787,710
6. Plan's Actuarial Value of Assets (AVA) Including Receivables $[(1 + 2) / (3 + 4) \times 5]$	\$	120,181,921
7. Pool's Market Value of Assets (MVA) Including Receivables		8,255,442,128
8. Plan's Market Value of Assets (MVA) Including Receivables $[(1 + 2) / (3 + 4) \times 7]$	\$	100,677,450

## 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	\$ 156,290,468	\$ 103,982,067	\$ 52,308,401	66.5%	\$ 9,422,324
06/30/2012	161,328,098	100,677,450	60,650,648	62.4%	9,621,374

## Plan's Total Normal Cost Rate

The Public Employees' Pension Reform Act of 2013 requires that new employees pay at least 50 percent of the total annual normal cost and that current employees approach the same goal through collective bargaining. Please refer to the CalPERS website for more details.

Shown below are the total annual normal cost rates for your plan.

	<b>Fiscal Year</b>	<b>Fiscal Year</b>
	<b>2013-14</b>	<b>2014-15</b>
Pool's Net Total Normal Cost Rate	26.786%	26.438%
Surcharge for Class 1 Benefits		
a) FAC 1	0.981%	0.968%
b) PRSA	<u>1.728%</u>	<u>1.707%</u>
Plan's Total Normal Cost Rate	29.495%	29.113%

**SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY FIRE PLAN OF THE CITY OF COSTA MESA**

## 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, 2011 or 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.

<b>Valuation Date</b>	<b>Hypothetical Termination Liability<sup>1</sup></b>	<b>Market Value of Assets (MVA)</b>	<b>Unfunded Termination Liability</b>	<b>Termination Funded Ratio</b>	<b>Termination Liability Discount Rate<sup>2</sup></b>
06/30/2011	\$ 228,332,766	\$ 103,982,067	\$ 124,350,699	45.5%	4.82%
06/30/2012	302,104,554	100,677,450	201,427,104	33.3%	2.98%

<sup>1</sup> The hypothetical liabilities calculated above include a 7 percent mortality load contingency in accordance with Board policy. Other actuarial assumptions, such as wage and inflation assumptions, can be found in appendix A.

<sup>2</sup> 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.

**SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY FIRE PLAN OF THE CITY OF COSTA MESA**

## Participant Data

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

	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Projected Payroll for Contribution Purposes	\$ 10,296,027	\$ 10,513,535
Number of Members		
Active	78	78
Transferred	9	10
Separated	8	5
Retired	115	114

## List of Class 1 Benefit Provisions

- One Year Final Compensation
- Post-Retirement Survivor Allowance

## **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 Safety 3.0% at 50 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 rate for the indicated period is 47.452% percent of payroll. In order to calculate the dollar value of the contractually required contributions for inclusion in financial statements prepared as of June 30, 2015, this contribution rate, less any employee cost sharing, and as modified by any subsequent financing changes or contract amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2014 to June 30, 2015. However, if this contribution is fully prepaid in a lump sum, then the dollar value of contractually required contributions is equal to the lump sum prepayment. 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 Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	19 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 14.20% 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 0.25%.

Complete information on assumptions and methods is provided in Appendix A of the Section 2 report. Appendix B of the Section 2 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.

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## **PLAN'S MAJOR BENEFIT OPTIONS**

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**SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY FIRE PLAN OF THE CITY OF COSTA MESA**

## 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.

Benefit Provision	Contract package	
	Receiving	Active
Benefit Formula		3.0% @ 50
Social Security Coverage		no
Full/Modified		full
Final Average Compensation Period		12 mos.
Sick Leave Credit		yes
Non-Industrial Disability		improved
Industrial Disability		yes
Pre-Retirement Death Benefits		
Optional Settlement 2W		yes
1959 Survivor Benefit Level		level 3
Special		yes
Alternate (firefighters)		no
Post-Retirement Death Benefits		
Lump Sum	\$500	\$500
Survivor Allowance (PRSA)	yes	yes
COLA	2%	2%



# Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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**Section 2 may be found on the CalPERS website  
([www.calpers.ca.gov](http://www.calpers.ca.gov)) then selecting:**

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

