California Public Employees' Retirement System Actuarial Office



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www.calpers.ca.gov

December 19, 2012

Employer Name: City of Mill Valley

CalPERS ID: 3204916161

Employee Category: Miscellaneous

Rate Plan Identifier: 27457

Dear Employer:

Subject: BENEFIT FORMULA AND CONTRIBUTION RATES FOR NEW MEMBERS EFFECTIVE JANUARY 1, 2013

The purpose of this letter is to inform you about the impact that the recent passage of Assembly Bill (AB) 340 pension reform will have on employee and employer contribution rates to CalPERS. AB 340 created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member as per PEPRA. Please refer to the Pension Reform section of the CalPERS website for more information on pension reform, including information regarding when an employee will be considered a new member under PEPRA.

The table below provides information on the benefit formula, final compensation period and the employer and member contribution rates effective January 1, 2013 for any miscellaneous employees that meet the definition of a new member under PEPRA.

Benefit Formula	Miscellaneous 2% at Age 62
Final Compensation Period	3 Year Final Compensation
Employer Contribution Rate as a percentage of payroll	6.70% of Reportable Compensation
Member Contribution Rate as a percentage of payroll	6.50% of Reportable Compensation

Since you currently participate in a risk pool, your new miscellaneous members will participate in the Miscellaneous 2 percent at age 62 risk pool that was created by the CalPERS Board in November 2012 in response to the passage of PEPRA. The **employer** contribution rate listed above will be good until June 30, 2015. This rate will not be revised until the June 30, 2013 actuarial valuation of the Miscellaneous 2 percent at age 62 risk pool is completed in the fall of 2014 that will set the contribution requirement for fiscal year July 1, 2015 through June 30, 2016.

In accordance with PEPRA and CalPERS interpretation of the term similarly situated, the member contribution rate shown in the above table was set at 50% of the expected total

Benefit Formula and Contribution Rate for New Members effective January 1, 2013 December 19, 2012 Page 2

normal cost rate for the benefits that will apply to your new miscellaneous members on January 1, 2013 rounded to the nearest one quarter of one percent. The total normal cost rate used for this calculation is 13.2 percent of payroll. The normal cost rate was derived based on the benefit formula and final compensation period listed in the above table as well as all other optional benefit provisions you have contracted with CalPERS for your employees. Since the actual demographics of your new pool will not be known until new members are hired, and due to the limited time available for implementation of PEPRA, the normal cost rate was derived based on the demographics of a pool of CalPERS employers and the actuarial assumptions used in the Actuarial Cost Analysis of AB 340. For information on how the normal cost was derived and the actuarial assumptions used, please refer to the following link on the CalPERS website at:

http://www.calpers.ca.gov/eip-docs/employer/program-services/member-rates-pepra.pdf

Note that the member contribution rate may change over time if the total normal cost for new members fluctuates by more than one percent of payroll over the estimated initial normal cost rate of 13.2 percent of payroll. The total normal cost rate will be impacted over time by the actual demographics of the Miscellaneous 2 percent at age 62 risk pool and the actuarial assumptions used in the funding of the retirement benefits. The member rate will be reviewed once a year when the actuarial valuation of your plan is performed. The first review is expected to be in conjunction with the June 30, 2013 actuarial valuation that will take place in the fall of 2014. Therefore, the member contribution rate listed in the above table is expected to remain unchanged until July 1, 2015.

For more information, you may visit the CalPERS website at www.calpers.ca.gov. If you have questions, please contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888**-225-7377).

Sincerely,

ALAN MILLIGAN Chief Actuary