CalPERS

P.O. Box 942709 Sacramento, CA 94229-2709
888 CalPERS (or 888-225-7377)
TTY: (877) 249-7442 | Fax: (916) 795-3005
www.calpers.ca.gov

California Public Employees' Retirement System

May 11, 2016

CalPERS ID #2285538681

Mr. Jim Galli
Special Project Manager
Schell Vista Fire Protection District
22950 Broadway
Sonoma, CA 95476

Dear Mr. Galli:

Thank you for contacting CalPERS regarding a contract for retirement benefits. Enclosed you will find the actuarial valuation conducted to determine the contributions necessary for participation of Schell Vista Fire Protection District.

The employer contribution rates are based on a contract to provide Section 7522.25(d) (2.7% @ 57 Full formula); Section 20938 (Limit Prior Service to Persons Employed on Contract Date); Section 21622 ($600 Retired Death Benefit); Section 21635 (Post-Retirement Survivor Allowance Continues After Remarriage); Sections 21624 and 21626 (Post-Retirement Survivor Allowance) with 100% prior service for local fire members.

Your agency is required to join a risk pool. Certain benefits are mandated for all rate plans that enter risk pools. For that reason, we have prepared a valuation, which includes the benefits mandated by risk pooling, describing your plan's status in a risk pool. If your agency contracts, the rate provided will be the employer contribution rate as of the contract effective date until June 30, 2016. A new valuation will be conducted to determine your agency's employer contribution rate effective July 1, 2016. Thereafter, a valuation will be conducted annually to determine your agency's employer contribution rate for each year.

New contracting public agencies shall include in the contract Section 21574.5 (Indexed Level of 1959 Survivor Benefits) or Section 21574 (Fourth Level of 1959 Survivor Benefits), if the agency has not entered into a voluntary agreement to provide Social Security coverage to its employees. Individuals employed on the contract effective date will be eligible to elect not to be covered, but participation will be required of all future hires. For information on the provisions of Sections 21574.5 and 21574, please refer to the enclosed fact sheets.

The new local safety member contribution rate will be 12.250% as of the effective date of the contract.

Section 20322 of the Government Code as amended effective July 1, 1994 states that elected or appointed officials, who are first elected or appointed on or after July 1, 1994, or who are elected or appointed to a term of office not consecutive with a term held on June 30, 1994 are excluded from membership in this System. "Members of the Governing Body" who will not be excluded pursuant to Section 20322 have been excluded by specific contract provision.

We understand that Section 11332 of the Omnibus Budget Reconciliation Act of 1990 (OBRA) requires social security coverage for all public employees, whether hired or elected, unless the employee actively participates in a public retirement system in conjunction with the employment. If members of your governing body are compensated, authoritative responses to any questions you may have regarding the mandatory social security provisions included in OBRA should be available from the Internal Revenue Service, Room 5334, 1111 Constitution Avenue, N.W., Washington D.C. 20224.

Should the agency dissolve, become inactive or terminate its contract, any liability still outstanding for prior and current service is immediately due and payable.

The provided Form CON-8B, Anticipated Schedule of Agency Actions, must be completed and returned to initiate further steps necessary for participation in CalPERS.

The agency will be billed at a later date for the services involved in the conduct of the actuarial valuation.

In the event your public agency contracts for CalPERS membership, your employees will be entitled to retirement benefits as provided by CalPERS per the Public Employees' Retirement Law and the terms of your contract. The contract for CalPERS membership will specify that, to the extent, if any, your employees may claim entitlement to different or additional benefits resulting from prior membership in a different retirement plan, such claims for benefit or any other liability arising from the transfer to CalPERS will be the responsibility of your agency alone, and not of CalPERS. Therefore the contract will contain language that your agency will agree to hold harmless, defend and indemnify CalPERS from such claims, if any.

We are here to assist you. If you have any questions or would like additional information, please visit our website www.calpers.ca.gov, or you may contact us toll free at **888 CalPERS** or (**888**-225-7377).

Sincerely,

Kevin Cheechov
Employer Representative
Public Agency Contract Services

KC:cf
Enclosures

California Public Employees' Retirement System
Employer Account Management Division
Retirement and Social Security Contracts Unit
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377) FAX: (916) 795-3005

ANTICIPATED SCHEDULE OF AGENCY ACTIONS

The **Schell Vista Fire Protection District** hereby requests the documents necessary to provide the benefits as described below for participation in the California Public Employees' Retirement System. (Enter the dates each action will be taken, sign and return the schedule.)

Enter dates:

1._______ THE DATE YOUR AGENCY NEEDS THE RESOLUTION OF INTENTION FROM THIS OFFICE TO INCLUDE IN AGENDA FOR YOUR GOVERNING BODY. This date must be at least four weeks from the date this form is received in the Public Agency Contract Services office.

2._______ ADOPTION OF RESOLUTION OF INTENTION declaring the agency's intent to enter into a contract with CalPERS.

3._______ EMPLOYEE ELECTION.

4._______ ADOPTION OF FINAL RESOLUTION. This date cannot be earlier than 20 days after adoption of the Resolution of Intention (date #2).

5._______ EFFECTIVE DATE OF CalPERS CONTRACT. This date cannot be earlier than the first day of a payroll period following the effective date of the Resolution.

BY ____________________________

TITLE ____________________________

Date ____________ Telephone ____________________________

THIS OFFICE WILL PREPARE ALL DOCUMENTS NECESSARY TO COMPLETE YOUR CONTRACT. IF YOUR AGENCY ATTEMPTS TO EXPEDITE THE CONTRACT PROCESS BY PROCEEDING WITHOUT THE DOCUMENTS PROVIDED BY THIS OFFICE, LEGAL REVIEW MAY BE REQUIRED WHICH COULD DELAY THE ANTICIPATED EFFECTIVE DATE OF THE CONTRACT.

SCHELL VISTA FIRE PROTECTION DISTRICT

ATTACHMENT

1) __ Section 7522.25(d) (2.7% 57 Full formula); Section 20938 (Limit Prior Service to Persons Employed on Contract Date); Section 21622 ($600 Retired Death Benefit); Section 21635 (Post-Retirement Survivor Allowance Continues After Remarriage); Sections 21624 and 21626 (Post-Retirement Survivor Allowance) with 100% prior service for local fire members.

_ Section 21574.5 (Indexed Level of 1959 Survivor Benefits), **or**

_ Section 21574 (Fourth Level of 1959 Survivor Benefits).

Plans New to 1959 Survivor Benefit Program: Fourth Level

The Fourth Level 1959 Survivor Benefit provides a monthly allowance of $950, $1,900, and $2,280 for one, two, and three eligible survivors of members respectively, who were covered for this benefit program and who die before retirement. This benefit coverage is available by contract amendment for those members who are not covered by Federal Social Security with their employer. The 1959 Survivor Benefit allowance is payable in addition to any other pre-retirement death benefit paid by CalPERS, with the exception of the Special Death Benefit. If the 1959 Survivor Benefit is greater than the Special Death Benefit, then the difference is paid as the 1959 Survivor Benefit. The Fourth Level assets are pooled.

The CalPERS Board of Administration has approved the Fourth Level 1959 Survivor per member, per month normal costs for the fiscal year beginning July 1, 2015 as follows:

Employer: $5.70
Employee: $2.00

The ***employer*** cost to initially join the 1959 Survivor program is the payment of the pool's annual employer normal cost for a period of five years. For example, if your plan has 65 members who elect the 1959 Survivor Fourth Level Benefit at the time of contract, the employer cost would be $4,446.00 (member count x normal cost x 12) for the first year. The annual employer normal cost and member counts will be recalculated each year, thus the total employer cost will vary in subsequent years, even though the formula is the same. After the first five years, agencies will be required to pay the net premium for the Fourth Level pool (the pool's normal cost after amortization of the pool's surplus or unfunded liability). The annual payments are due in full at the start of each fiscal year; in general your first full year payment is due on the August 15th following the contract date. As a result, payment cycles may not necessarily correspond with contract anniversary dates.

The ***employee*** cost to fund the 1959 Survivor program is $2.00 per covered member, per month.

CalPERS customarily approves new annual costs for the upcoming fiscal year at the June Finance and Administration Committee Meeting. Therefore, if your agency contracts with CalPERS and includes this provision after June 30, 2016, you must contact our office for updated cost information.

Additional information regarding the 1959 Survivor Benefit Program may be found at ***www.calpers.ca.gov***.

Plans New to 1959 Survivor Benefit Program: Indexed Level

The Indexed Level 1959 Survivor Benefit provides a monthly allowance for survivors of members who were covered for this benefit and who die before retirement. The benefit amounts for calendar year 2015 are $673, $1,346 and $2,019 for one, two and three eligible survivors, respectively. These amounts will increase by 2% on January 1 of each following year. The increased benefit amounts compounded by 2% annually are applicable to both current and future beneficiaries. This benefit coverage is available by contract amendment for those members who are not covered by Federal Social Security with their employer. The 1959 Survivor Benefit allowance is payable in addition to any other pre-retirement death benefit paid by CalPERS, with the exception of the Special Death Benefit. If the 1959 Survivor Benefit is greater than the Special Death Benefit, then the difference is paid as the 1959 Survivor Benefit. The Indexed Level assets are pooled.

The CalPERS Board of Administration has approved the Indexed Level 1959 Survivor per member, per month normal costs for the fiscal year beginning July 1, 2015 as follows:

Employer: $5.80
Employee: $2.40

The ***employer*** cost to initially join the 1959 Survivor program is the payment of the pool's annual employer normal cost for a period of five years. For example, if your plan has 65 members who elect the 1959 Survivor Indexed Level benefit at the time of contract, the employer cost would be $4,524.00 (member count x normal cost x 12) for the first year. The annual employer normal cost and member counts will be recalculated each year, thus the total employer cost will vary in subsequent years, even though the formula is the same. After the first five years, agencies will be required to pay the net premium for the Indexed Level pool (the pool's normal cost after amortization of the pool's surplus of unfunded liability). The annual payments are due in full at the start of each fiscal year; in general your first full year payment is due on August 15th following the contract date. As a result, payment cycles may not necessarily correspond with contract anniversary dates.

The ***employee*** cost to fund the 1959 Survivor program is presently $2.40 per covered member, per month. In accordance with Section 21581 of the Public Employees' Retirement Law, since the total required premium after the amortization of the pool's surplus exceeds $4.00, the employee and employer shall split the cost evenly. This cost will be recalculated each year.

CalPERS customarily approves new annual costs for the upcoming fiscal year at the June Finance and Administration Committee Meeting. Therefore, if your agency contracts with CalPERS and includes this provision after June 30, 2016, you must contact our office for updated cost information.

Additional information regarding the 1959 Survivor Benefit Program may be found at ***www.calpers.ca.gov***.

New Agency
Actuarial Valuation

As of April 30, 2016

For the
Proposed SAFETY FIRE PLAN for the
SCHELL VISTA FIRE PROTECTION DISTRICT,
2.7% at 57 SAFETY FIRE Full Formula with
3-year Final Average Compensation
100% Prior Service

Table of Contents

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
www.calpers.ca.gov

April 30, 2016

PROPOSED SAFETY FIRE PLAN FOR SCHELL VISTA FIRE PROTECTION DISTRICT
2.7% @ 57 SAFETY RISK POOL

Dear Employer,

Enclosed please find a copy of the actuarial valuation conducted to determine the contributions necessary should the SCHELL VISTA FIRE PROTECTION DISTRICT elect to participate in the California Public Employees' Retirement System (CalPERS) and adopt the proposed SAFETY FIRE PLAN. CalPERS staff actuaries are available to discuss the contents of this report with you.

Since your public agency has less than 100 active members, your proposed plan would be required to participate in a risk pool. The following valuation report provides specific information for your proposed plan, including the development of your pooled employer contribution rate, and an appendix with plan provisions and assumptions.

In the event your public agency elects to contract for CalPERS membership, your employees will be entitled to retirement benefits as provided by CalPERS per the Public Employees' Retirement Law. The contract for CalPERS membership will specify that, to the extent, if any, your employees may claim entitlement to additional benefits resulting from prior membership in a different retirement plan, such benefits will be the responsibility of your agency alone, and not of CalPERS.

Actuarial Cost Estimates in General
What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, actuarial calculations, including the ones in this report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long-term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5 percent for the past twenty year period ending June 30, 2014, returns for each fiscal year ranged from negative -24 percent to +21.7 percent.

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces.

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost or Accrued Liability (i.e., the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members, PEPRA also effectively closed all existing active risk pools to new employees. As such, it is no longer appropriate to assume that the payroll of the risk pools for the classic formulas will continue to grow at 3 percent annually. Funding the promised pension benefits as a percentage of payroll would lead to the underfunding of the plans. In addition the current allocation of the existing unfunded liabilities based on payroll would create equity issues for employers within the risk pools.

Plan Specific Information for Proposed SAFETY FIRE PLAN for SCHELL VISTA FIRE PROTECTION DISTRICT

Furthermore, the declining payroll of the classic formula risk pools will lead to unacceptable levels of employer rate volatility.

In order to address these issues the CalPERS Board of Administration approved at their May 21, 2014 meeting structural changes to the risk pools. All pooled plans will be combined into two active pools, one for all miscellaneous groups and one for all safety groups, effective with the 2013 valuations. By combining the pools this way the payroll of the risk pools and the employers within the pools can once again be expected to increase at the assumed 3 percent annual growth. This change will allow the continuation of current level percent of payroll amortization schedule. However, two important changes are being made which will affect employers.

1. Beginning with FY 2015-16, CalPERS will collect employer contributions toward any unfunded liability as dollar amounts instead of the prior method of a contribution rate. This change will address the funding issue that would still arise from the declining population of classic formula members. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability payments, the plan's normal cost contribution will continue to be collected as a percentage of payroll.
2. The pool's unfunded liability will be allocated to each individual plan based on the plan's total liability rather than by the plan's individual payroll. This will allow employers to track their own unfunded liability and pay it down faster if they choose. The change in the allocation of unfunded liabilities will result in some employers paying more towards their unfunded liability and some paying less.

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 that 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.

Contribution Rates

The actuarially required contribution, both in dollars and as a rate of payroll are shown below.

		Fiscal Year 2015-16		Fiscal Year 2016-17
Required Employer Contribution				
Employer Normal Cost Rate		**11.923%**		**12.821%**
Plus				
1) Monthly Employer Dollar UAL Payment	**$**	**957**	**$**	**1,013**

		Fiscal Year 2015-16		Fiscal Year 2016-17
Development of Normal Cost as a Percentage of Payroll				
Pool's Base Total Normal Cost		22.653%		23.582%
Surcharge for Class 1 Benefit				
PRSA		1.520%		1.489%
Plan's Total Normal Cost		24.173%		25.071%
Plan's Employee Contribution Rate		12.250%		12.250%
Employer Normal Cost Rate		11.923%		12.821%
Projected Payroll for the Contribution Fiscal Year	$	137,132	$	141,246
Estimated Employer Contributions Based on Projected Payroll				
Plan's Estimated Employer Normal Cost	$	2,725	$	18,109
Plan's Payment on Amortization Bases		1,913		12,160
Estimated Total Employer Contribution	$	4,638	$	30,269

These rates will be in effect for Fiscal Years 2015-16 and 2016-17 unless there are further benefits or funding changes. If the membership or asset information is significantly different at the actual contract date or if the actual contract effective date is delayed beyond the proposed effective date of May 1, 2016 by more than 90 days, the employer contribution rates shown above may have to be recalculated. The contribution rates shown above were based on the results of the June 30, 2013 and June 30, 2014 valuations.

Plan Specific Information for Proposed SAFETY FIRE PLAN for SCHELL VISTA FIRE PROTECTION DISTRICT

In accordance with PEPRA the member contribution rate shown above is set at 50% of the expected normal cost rate for the benefits that will apply to your safety plan. The first actuarial valuation of the PEPRA risk pools based on actual member data was the June 30, 2013 valuation which was completed the fall of 2014. This valuation established the employer and employee contributions for fiscal year 2015-16. Note that the member contribution rate may change over time if the total normal cost for PEPRA members fluctuates by more than one percent of payroll in future valuations.

In February 2014, the CalPERS Board adopted new demographic actuarial assumptions to be used to set the fiscal year 2016-17 contribution rates for public agency employers.

Rate Volatility

As is stated above, 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 raise or lower the employer's contribution from year to year. So, the contributions will fluctuate, especially due to the unpredictability of investment returns.

The actuarial methods and assumptions used in determining your rate can be found in Section 2, Appendix A. A list of class 1 benefit provisions used in determining your rate is included in Section 1 of the report. A description of these provisions can be found in Section 2, Appendix B.

If your agency would like to consider other benefit formulas or other combinations of benefit provisions, please contact us and we will be pleased to assist you.

Sincerely,

Jean Fannjiang

JEAN FANNJIANG, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

Actuarial Certification

This report was prepared by the Agency Actuary in order to:

- Provide the employer with information about the cost of benefits and the contributions required in order to assist in the decision as to whether or not to contract for the benefits.

Use of this report for other purposes is inappropriate.

This report is based on the member and financial data as of November 2015 provided by the agency, and the proposed benefits under this contract with CalPERS.

It is my 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.

Jean Fannjiang

JEAN FANNJIANG, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

Section 1

Plan Specific Information for The Proposed SAFETY FIRE PLAN for SCHELL VISTA FIRE PROTECTION DISTRICT

Funding Information

- REQUIRED EMPLOYER CONTRIBUTION
- PLAN'S UNFUNDED LIABILITY
- SUMMARY OF PARTICIPANT DATA
- LIST OF CLASS 1 BENEFIT PROVISIONS

Plan Specific Information for Proposed SAFETY FIRE PLAN for SCHELL VISTA FIRE PROTECTION DISTRICT

Required Employer Contribution

Required Employer Contribution		Fiscal Year 2015-16[2]		Fiscal Year 2016-17[3]
Employer Normal Cost Rate		11.923%		12.821%
Plus				
1) Monthly Employer Dollar UAL Payment	$	957	$	1,013

		Fiscal Year 2015-16		Fiscal Year 2016-17
Development of Normal Cost as a Percentage of Payroll				
Pool's Base Total Normal Cost		22.653%		23.582%
Surcharge for Class 1 Benefit[1]				
PRSA		1.520%		1.489%
Plan's Total Normal Cost		24.173%		25.071%
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Plan's Payment on Amortization Bases		1,913		12,160
Estimated Total Employer Contribution	$	4,638	$	30,269

[1] Appendix C of Section 2 contains the list of class 1 benefits with their corresponding surcharges.
[2] Based on a start date of May 1, 2016
[3] Payroll from prior year is assumed to increase by the 3.00 percent payroll growth assumption.

Plan's Unfunded Liability

At the time of joining a risk pool, an unfunded liability will be created to account for whether the assets that were brought into the pool were more or less than what was required to maintain the funded ratio of the pool. The unfunded liability for your proposed SAFETY FIRE PLAN at the effective date of the contract was developed as follows:

1.	Entry Age Normal Accrued Liabilities	170,673
2.	Market Value of Assets	0
3.	Plan's Unfunded Liability as of the Effective Date of the Contract	170,673
4.	Amortization Period in Years	23

Summary of Participant Data

Below is a table showing a summary of the participant data for your plan upon which this valuation is based

1.	Number of Active Members	9
2.	Total Payroll	$137,132
3.	Average Salary	$15,237
4.	Number of Transferred Members	0
5.	Number of Separated Members	0
6.	Number of Retired Members and Beneficiaries	0

List of Class 1 Benefit Provisions

- Post-Retirement Survivor Allowance 50%

If Section 21031 (Public Service Credit for Limited Prior Service) is included in the contract, there is a risk that employer contribution rates will increase in the future as a result of members electing to purchase prior service.

Subsequent Events

Risk Mitigation

The CalPERS board of Administration adopted a Risk Mitigation policy which is designed to reduce funding risk over time. The policy establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return and stragegic asset allocation targets. A minimum excess investment return of 4% above the existing discount rate is necessary to cause a funding risk mitigation event. More details on the Risk Mitigation policy can found on our website.

Summary of 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 of this report.

Benefit Provision	PEPRA Provisions
Benefit Formula	2.7% @ 57
Social Security Coverage	No
Full/Modified	Full
Employee Contribution Rate	12.250%
Final Average Compensation Period	3 year
Sick Leave Credit	Yes
Non-Industrial Disability	Standard
Industrial Disability	Standard
Pre-Retirement Death Benefits	
Optional Settlement 2W	Yes
1959 Survivor Benefit Level*	Indexed
Special	Yes
Alternate (firefighters)	No
Post-Retirement Death Benefits	
Lump Sum	$600
Survivor Allowance (PRSA)	50%
COLA	2%
Employee Contributions	
Contractual employer paid	No
Contractual Employee Cost sharing	0%

*1959 Survivor Benefit is provided by a separate program and will be billed separately by the agency.

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Section 2 may be found on the CalPERS website (www.calpers.ca.gov) in the Forms and Publications section