Alpine Amador Butte Calaveras Colusa Del Norte
El Dorado Glenn Humboldt Imperial Inyo Lake
Lassen Madera Mariposa Mendocino

RCRC

Merced Modoc Mono Napa Nevada Placer
Plumas San Benito Shasta Sierra Siskiyou Sutter
Tehama Trinity Tulare Tuolumne Yolo Yuba

February 13, 2014

Ms. Anne Stausboll
Chief Executive Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95811

RE: Adoption of Actuarial Assumptions and Financing Options

Dear Ms. Stausboll:

On behalf of the Rural County Representatives of California (RCRC), I appreciate the opportunity to provide comments on California Public Employees' Retirement System's (CalPERS) consideration of actuarial assumptions and financing options.

RCRC is an association of thirty-four rural California counties and the RCRC Board of Directors is comprised of elected supervisors from those member counties. All RCRC member counties are contracting agencies with CalPERS, with the exception of Imperial, Mendocino, Merced, and Tulare Counties which operate their retirement systems under "the '37 Act." Thus, matters impacting CalPERS and their local contracting agencies have a direct impact on nearly all of our members.

We would like to thank you and the entire CalPERS staff for reaching out to RCRC and local agency members with information regarding the latest CalPERS staff Asset Liability Management (ALM) process, and in particular, the issues involving a revision of actuarial assumptions. This outreach has been helpful in preparing our members for likely changes to their respective contribution rates.

The results of the ALM process include two primary areas of attention. One is changes to the assumptions utilized in the performance of the actuarial valuations. CalPERS staff is recommending various changes to the demographic assumptions. These changes are expected to result in an increase in the unfunded liability of many RCRC members as the demographics of each local agency plan will dictate the actual impact. We appreciate that CalPERS recognizes that raising the contribution rates may be burdensome for employers. As such, a second area of attention now presents itself - what is the best financing option for local agencies to meet this new financial demand? As a result CalPERS staff has proposed two alternative amortization schedules. It

should be noted that existing Board policy allows for a “20-5” scheme – the incremental cost is spread out over 20 years with a 5 year ramp-up and a 5 year ramp-down. The two other options include: 1) a “20-7” scheme; or 2) a “30-5” scheme. Regardless of which scheme is selected, the assumption is the first year of implementation will be FY 2016/17.

Because of the diversity of our members with respect to each member’s financial position, we are hesitant to advocate for any one particular option. However, we ask that any policy adopted by the Board demonstrate flexibility. Simply put, some agencies may be in a position to settle this upcoming financial liability in a very immediate manner to avoid financing costs. Others will need a more measured approach. Moreover, we anticipate a handful of RCRC members may even find it difficult to comply with the more lengthy financing option (the “30-5” scheme). We would also suggest that the Board adopt the first year implementation date as 2016/17.

Once again, we thank you for your education and outreach. We look forward to working with you, the Board and CalPERS’ staff as these new assumptions and financing options are implemented. If you should have any questions, please do not hesitate to contact me at gnorton@rcrcnet.org or (916) 447-4806.

Sincerely,

GREG NORTON
President