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An Analysis of Public Employee Retirement Systems in California

The Center for Government Analysis
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Introduction

This report was commissioned by the Howard Jarvis Taxpayers Foundation. The report analyzes the finances of most of the public employee retirement systems in the state of California. Particular attention is given to the two major public employee retirement systems in California, CalPERS (California Public Employee Retirement System) and CalSTRS (California State Teachers Retirement System), and to other selected major independent public retirement systems in the state.

The report focuses on the overall actuarial status of these public retirement systems, and on the cash inflows and payouts. Data about retiree benefits are also analyzed.

This report is divided into four main sections. Section I provides a historical statewide summary of pension benefits, Section II examines the CalPERS system, Section III examines the CalSTRS system, and Section IV examines other large retirement systems in California.

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Executive Summary

Section 1

1. There are approximately 130 public pension systems in California. The state related pension systems, including California Public Employees Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS), cover the vast majority of public employees (over 78% of public employees in California). Most local governments and school districts in California are members of CalPERS or CalSTRS (see Section 1, pages 11-17). As of 2004, there were 3,476,650 people covered by these public retirement systems in California, including active members, retired members, and others.
2. Benefit payments to retired California public employees statewide in FY 2003-04 exceeded \$20.1 billion. To put that in perspective, the total state income tax revenue in that same year was \$37.7 billion (see Section 1, pages 12 and 13).
3. Overall, the combined financial status of all state and local public employee retirement systems in California has deteriorated significantly since FY 1999-2000. Since that year, the combined “funded ratio” (that is, the actuarial status with 100% = fully funded) has declined approximately 10% per year (see Section 1, pages 18 and 19).
4. In FY 1997-98 the combined public employee retirement systems in California had an actuarial surplus of a little over \$14.5 billion. By FY 2003-04 the combined public employee retirement systems in California had an actuarial deficit of approximately \$50.9 billion (see Section 1, pages 20 and 21).
5. State and local governments in California spent over \$5.1 billion on funding pension systems in FY 1997-98. This figure almost doubled to nearly \$10.2 billion in FY 2003-04, a 99.5% increase. During this same period “employee contributions” (which are often actually paid in part or in full by employers) increased from approximately \$3.9 billion in FY 1997-98 to approximately \$6.7 billion in FY 2003-04, an increase of almost 70% (see Section 1, pages 26-29).
6. In FY 1997-98 total benefit payments to state and local government retirees in California were approximately \$11.6 billion. By FY 2003-04 these payments had increased to over \$20.1 billion, an increase of over 73% (see Section 1, pages 34 and 35).
7. Retirement benefit levels for state and local government employees in California are much more lavish than for private sector employees. In many systems, public safety employees can retire at age 50 after working 14 years and receive a pension equivalent to over 40% of their salaries. General employees in many systems can retire at age 55 and after 16 years receive a pension equivalent to over 40% of their salaries (see Section 1, pages 36 and 37).

Section 2

1. The average annual salary to CalPERS members in California is substantially higher than the average California per capita personal income. In FY 2003-04, the average annual salary paid to CalPERS members was \$46,126 per year, while average per capita personal income was \$35,219 (see Section 2, pages 46 and 47).
2. Total pension benefits paid by CalPERS increased from a little over \$3.9 billion in FY 1995-96 to over \$8.5 billion in FY 2004-05, an increase of 119% (see Section 2, pages 48 and 49).
3. The funded ratio for the major subcategory of CalPERS declined from 128% in FY 1998-99 to 87.3% in FY 2003-04. The unfunded actuarially accrued status of this CalPERS subcategory went from approximately \$32.8 billion over 100% funded in FY 1998-99 to being 24.7% underfunded in FY 2003-04. During this same period the

amount that governments contributed to this CalPERS subcategory increased from approximately \$1.5 billion to almost \$5.8 billion (see Section 2, pages 56-61).

Section 3

1. The California State Teachers Retirement System (CalSTRS) funded ratio declined from 104% in FY 1998-99 to 86% in FY 2004-05. During this same time period the unfunded actuarially accrued status went from a surplus of \$3 billion to a liability of over \$20.3 billion (see Section 3, pages 72-75).
2. In FY 1994-95 total benefit payments in the CalSTRS system were approximately \$2.5 billion. By FY 2003-04 these payments had more than doubled to approximately \$5.5 billion (see Section 3, pages 78 and 79).
3. In FY 1998-99 the average annual retirement benefit to CalSTRS was \$32,472. By FY 2003-04 this benefit level was \$45,804, an increase of approximately 41%. During this same period California average annual per capita income increased 18.1% (see Section 3, pages 84 and 85).

Section 4

1. The Los Angeles County employees retirement system funded ratio was a little over 103% in FY 1998-99, and declined to approximately 83% in FY 2003-04. During this same period the actuarially accrued status went from a surplus of \$700 million to a deficit of over \$4.8 billion (see Section 4, pages 92-95).
2. The funded ratio for the Los Angeles City employees retirement system declined from 109% in FY 1999-2000 to 77.2% in FY 2004-05. During this same period the actuarially accrued status went from a surplus of approximately \$548 million to a liability of over \$2.1 billion (see Section 4, pages 102-105).
3. Total benefit payments to the Los Angeles City system retirees went from \$319 million in FY 1999-2000 to over \$469 million in FY 2004-05 (see Section 4, pages 110 and 111).
4. Total benefit payments to the Los Angeles Department of Water and Power retirement system retirees grew from a little over \$189 million in FY 1995-96 to over \$311 million in FY 2004-05 (see Section 4, pages 120 and 121).
5. The average age at retirement for Los Angeles City police and fire retirees has decreased from FY 1999-2000 to 2003-04. For firefighters, the average age at retirement went from 57 to 54 during this period, and for police officers the average age went from 53 to 51 (see Section 4, pages 130 and 131).
6. The funded ratio for the Orange County Employees Retirement System was 103.7% in FY 1990-2000, and declined sharply to 69% in FY 2003-04. During this same period the actuarially accrued status went from a surplus of \$162 million to a liability of over \$2.3 billion (see Section 4, pages 134-137).
7. The actuarially accrued status for the San Diego County employees retirement system went from a surplus of \$238 million in FY 2000-01 to a liability of almost \$1.4 billion in FY 2004-05 (see Section 4, pages 144 and 145).
8. The City of San Diego spends more of its current operating budget financing pension benefits than it does for fire safety services (see Section 4, page 154-155).

Overall Findings and Observations

Public employee retirement systems in California are in much less solid financial condition than was the case just a few years ago. Rapidly escalating pension benefits are putting an increasing strain on the actuarial status of these public employee retirement systems. State and local governments in California are having to devote ever larger dollar amounts to financing these public employee retirement systems.

Methodology

Data utilized in this report were obtained from a number of comprehensive annual financial reports (CAFRs) for CalPERS, CalSTRS, and other retirement systems. In addition, data were obtained from the California State Controller's Report on the fiscal condition of California cities, the California State Department of Finance, the United States Department of Commerce Bureau of Economic Analysis, and from the United States Census Bureau.

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Section 1: Statewide Summary

There are approximately 130 public pension systems in California. There are 10 state-sponsored systems, including CalPERS, and CalSTRS, 20 “1937 ACT” county-sponsored systems, one independent county system, 56 special district systems, and four other systems. The “other” category includes systems that do not have one predominant sponsoring or employing agency including the Public Agency Retirement System (PARS) Defined Benefit Plans, the PARS Defined Contribution Plan, the Housing Authority of the County of Tulare Defined Contribution Pension Plan, and the San Diego Housing Commission Pension Plan.

Systems sponsored by state, county, city, school district, and special district agencies may have other types of agencies participating in those systems. For example, the cities of San Juan Capistrano and Rancho Santa Margarita participate in the Orange County Employees Retirement System; and, of the 1.5 million employees covered under CalPERS, 31% are state employees, 37% are school employees, and 32% are local public agency employees.

Table 1-1 and Chart 1-1 show data about the relative amount of statewide benefit payments to public employee retirees in comparison to other selected revenues and expenditures in Fiscal Year 2003-04. Retiree benefit payments statewide exceeded \$20 billion, as shown in the maroon bar in Chart 1-1. To put this amount in perspective, in FY 2003-04 total police expenditures made by all the counties and cities in California were approximately \$10.4 billion, while fire expenditures for the same agencies in the same year were a little over \$3.1 billion. In other words, approximately twice as much money was expended for retiree benefits in California in FY 2003-04 as was spent on providing police protection.

To provide further perspective, the total state income tax revenue in FY 2003-04 was a little over \$37.7 billion, as shown by the blue bar on the far right hand side of Chart 1-1. Public employee retiree benefit payments in California represented an amount equivalent to approximately 54% of the total amount of income taxes collected in that year.

Table 1-1: Total Statewide Benefit Comparison, FY 2003-04

Benefit or Expenditure	
Total City & County Fire Expenditure	\$3,122,925,000
Total City & County Police Expenditure	\$10,389,351,000
Statewide Benefit Payments	\$20,157,771,000
Total State Income Tax Revenue	\$37,722,839,000

Chart 1-1: Total Statewide Benefit Comparison, FY 2003-04

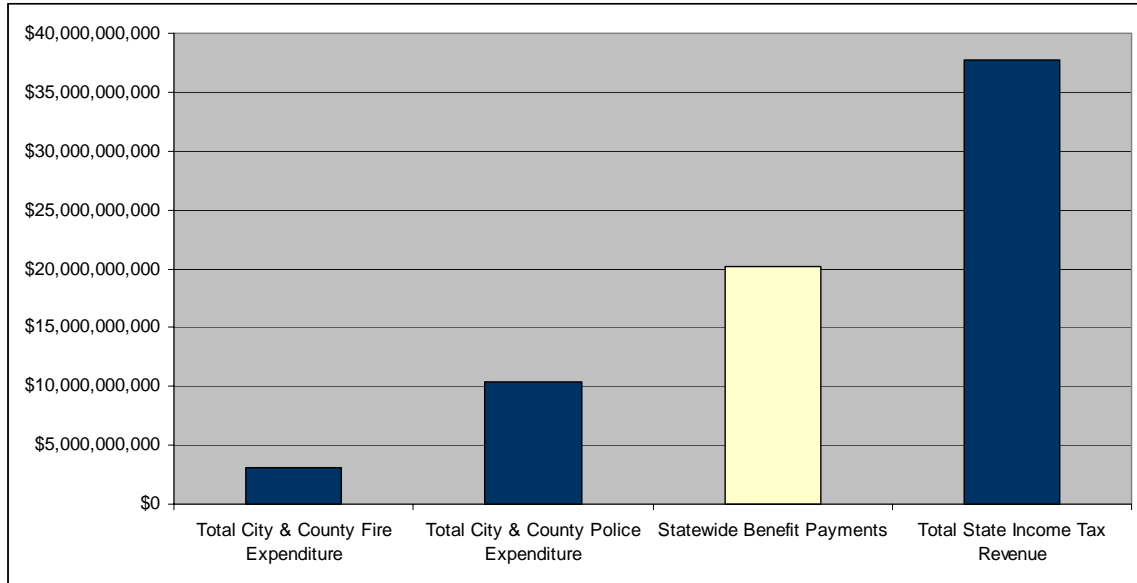


Table 1-2 and Chart 1-2 show data about the number of persons in the various public employment systems in California. There are 1,838,506 active employees in the state systems. It should be noted that these state systems include both the California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System (CalSTRS). In both of these systems there are many local government employees and local school district employees. These systems can be considered as sort of umbrella organizations that local governments and school districts can opt into to provide for their employees pensions. Most local governments and most local school districts in California are member agencies of these two umbrella systems.

There are 245,548 active employees in the various county systems. Twenty of the 58 counties in California have these independent retirement systems; the rest of the counties are members of CalPERS. Many of these county systems include the retirement systems of various special districts within their borders.

There are 100,457 active employees in the various independent city systems, that is, municipal retirement systems that are independent of CalPERS, and 72,875 active members of certain independent school district and miscellaneous special district systems.

In sum, there are 2,257,386 active public sector employees in all of the various public retirement systems in the state, and the vast majority of these people are in either the CalPERS or CalSTRS systems. There are 667,311 retirees covered by these various systems, 37,855 disabled persons receiving benefits, 111,042 survivors, and 403,056 inactive members, for a total of 3,476,650 individuals (or roughly 10 percent of the population of California). These data are shown in the far right column of Table 1-2, and in Chart 1-2.

Table 1-2: Total Pension Populations by Type of Government, FY 2003-04

Type	State	County	City	School District, Special District & Other	Total
Active	1,838,506	245,548	100,457	72,875	2,257,386
Service Retired	528,485	86,074	46,996	5,756	667,311
Disabled	9,137	18,698	9,294	726	37,855
Survivors	80,054	18,743	11,605	640	111,042
Inactive	365,367	27,619	4,295	5,775	403,056
Total	2,821,549	396,682	172,647	85,772	3,476,650

Chart 1-2: Total Pension Populations by Type of Government, FY 2003-04

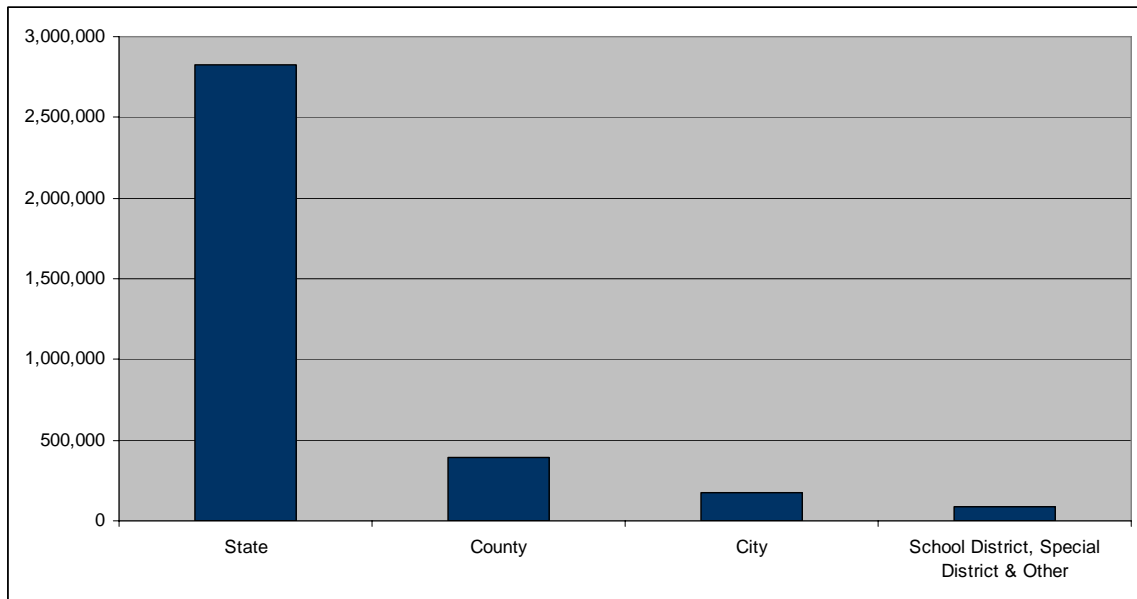


Table 1-3 and Chart 1-3 show the relative percentage of public employees from the previous Table and Chart who are active, service retired, and disabled, as well as survivors receiving benefits, and individuals who are still members of the various systems but who are not currently employed by a state or local government agency in California. Overall, almost 65% (64.9%) of these individuals are active government employees covered by the various public pension systems. A little over 19% are retired and 1.1% are receiving disability retirement payments. 2.2% are survivors receiving benefit payments, and the remainder are in the inactive category.

These percentages are shown in the far right column of Table 1-3 and in graphic form in Chart 1-3.

Table 1-3: Percent of Pension Population By Type, FY 2003-04

Type	State	County	City	School District, Special District & Other	Total
Active	65.2%	61.9%	58.2%	85.0%	64.9%
Service Retired	18.7%	21.7%	27.2%	6.7%	19.2%
Disabled	0.3%	4.7%	5.4%	0.8%	1.1%
Survivors	2.8%	4.7%	6.7%	0.7%	3.2%
Inactive	12.9%	7.0%	2.5%	6.7%	11.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Table 1-3: Percent of Pension Population By Type, FY 2003-04

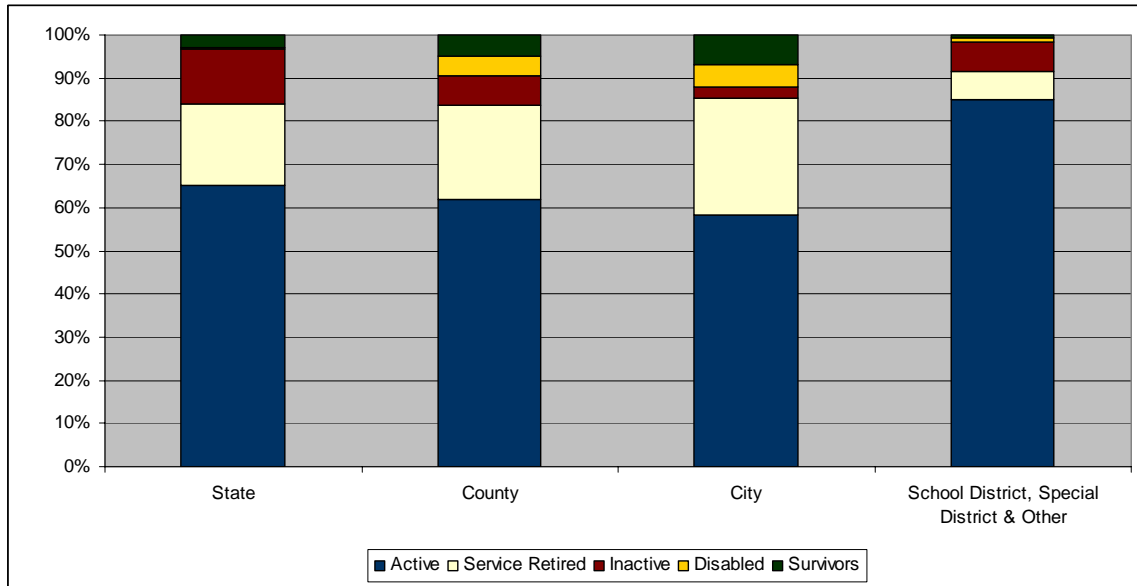


Table 1-4 shows data about the funded ratio of the various categories of retirement systems in California from Fiscal Year 1997-98 through FY 2003-04. Funded ratio is an indicator of the relative fiscal solvency of a retirement system. A retirement system that is 100% funded is regarded as fully funded, and actuarially capable of meeting all current and future pension obligations. A retirement system that is over 100% funded is, of course, in even better financial shape. Systems that are under 100% fully funded are not actuarially capable of meeting all the pension obligations absent additional funding. As a general rule of thumb, it is regarded as prudent practice to keep retirement systems at least 90% funded. If a system gets below 80% funded it should be a matter of acute concern.

In Table 1-4, the state-sponsored systems, including CalPERS and CalSTRS, were 107% funded in FY 1997-98. The funding ratio in the state systems increased to a high of 122% in FY 1999-2000, but by FY 2003-04 it had declined to 89% funded. As shown in the first column in Table 1-2, this represented a decline of 16.82% in the funded ratio for the state retirement system between FY 1997-98 and FY 2003-04. It should be noted that these figures represent the average funding ratio of all 10 state-sponsored systems.

The next column in Table 1-4 shows the calculated funding ratio for county-sponsored system, including 20 "1937 Act" counties and San Luis Obispo. It should be kept in mind that these systems had higher or lower funded ratios than the combined counties funded ratio shown in column two. In total, the calculated funding ratio for counties decreased from 102% in FY 1997-98 down to 88% in FY 2003-04. The combined ratio for city-sponsored systems, shown in column three, declined much less rapidly over the same period, while special districts and school districts, neither of which were 100% funded in FY 1997-98, declined substantially to below 80% in FY 2003-04. The "other" category represents a small number of comparatively small retirement systems, although it should be noted that there was substantial volatility over this period.

The total column on the far right side of Table 1-4 is a calculated summary of the funded ratio of public retirement systems in California over this same time period. In sum, this cumulative total declined substantially and as of FY 2003-04 stood at an 89% funded ratio.

Chart 1-4A shows the percent funded ratio for each of these categories of government in FY 2003-04. Chart 1-4B shows the percentage change in these funded ratios between FY 1997-98 and FY 2003-04. Note that in every instance except the "other" category the funded ratios have declined.

Table 1-4: Funded Ratios, FY 1997-98 to FY 2003-04 **

Funded Ratio	State	Counties	Cities	Special Districts	School Districts	Other	Total
1997-98	107%	102%	101%	96%	86%	37%	105%
1998-99	116%	101%	109%	96%	88%	31%	112%
1999-00	122%	104%	115%	97%	93%	65%	118%
2000-01	119%	104%	116%	93%	93%	63%	116%
2001-02	109%	98%	106%	86%	74%	90%	107%
2002-03	99%	93%	102%	80%	64%	90%	99%
2003-04	89%	88%	96%	79%	77%	56%	89%
% Change	-17%	-14%	-5%	-18%	-10%	51%	-15%

Chart 1-4a: Funded Ratios, FY 1997-98 to FY 2003-04

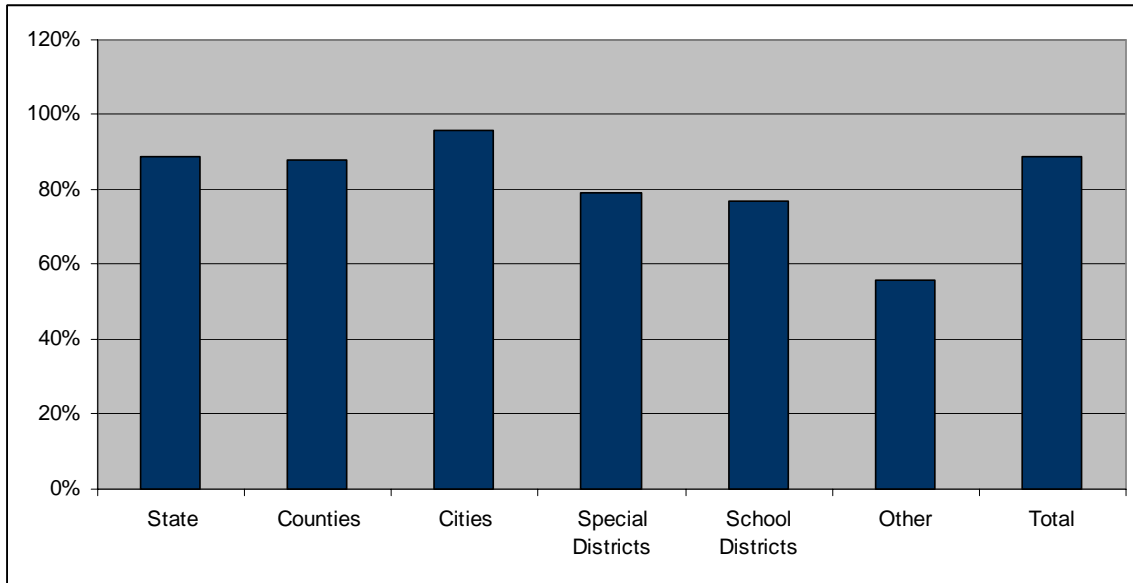


Chart 1-4b: Percent Change In Funded Ratios, FY 1997-98 to FY 2003-04

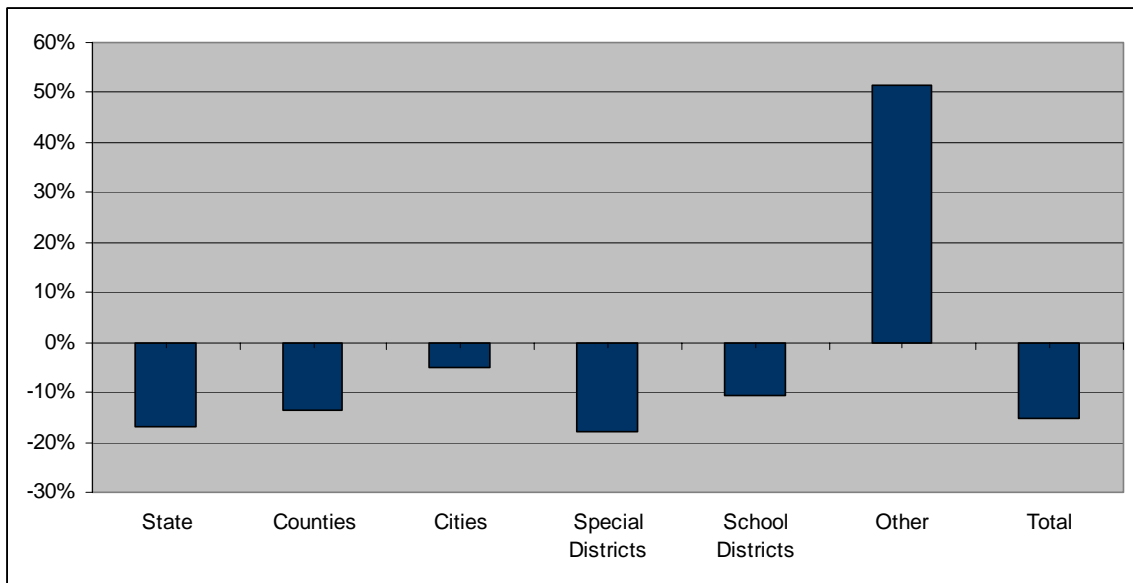


Table 1-5 shows data about the calculated unfunded actuarial accrued liability for the various categories of retirement systems shown in Table 1-2. What is significant here is that by FY 2003-04 the calculated unfunded actuarial accrued liability for every category of government was very substantial. The total unfunded liability for the state-sponsored systems was well over \$39 billion; the total unfunded liability for all county-sponsored systems was over \$9.2 billion, and the similar figure for cities was well over \$1.7 billion.

Table 1-5: (UAAL)/Excess, FY 1997-98 to FY 2003-04**

Fiscal Year	State	Counties	Cities	Special Districts	School Districts	Other	Total
1997-98	\$13,633,419,000	\$778,196,000	\$266,136,000	-\$78,368,000	-\$310,000	-\$26,756,000	\$14,572,317,000
1998-99	\$32,625,773,000	\$430,405,000	\$2,880,290,000	-\$79,791,000	-\$428,000	-\$39,696,000	\$35,816,553,000
1999-00	\$49,468,131,000	\$1,868,906,000	\$5,535,886,000	-\$68,328,000	-\$393,000	-\$17,518,000	\$56,786,684,000
2000-01	\$48,672,184,000	\$2,251,101,000	\$6,050,367,000	-\$172,673,000	-\$474,000	-\$18,741,000	\$56,781,764,000
2001-02	\$27,021,080,000	-\$1,312,424,000	\$2,623,573,000	-\$386,613,000	-\$2,470,000	-\$2,059,000	\$27,941,087,000
2002-03	-\$1,651,030,000	-\$4,925,237,000	\$854,139,000	-\$605,874,000	-\$4,604,000	-\$2,059,000	-\$6,334,665,000
2003-04	-\$39,237,142,000	-\$9,233,635,000	-\$1,721,291,000	-\$689,113,000	-\$3,210,000	-\$10,525,000	-\$50,894,916,000
Change	-\$52,870,561,000	-\$10,011,831,000	-\$1,987,427,000	-\$610,745,000	-\$2,900,000	\$16,231,000	-\$65,467,233,000

Chart 1-5a: (UAAL)/Excess, FY 2003-04

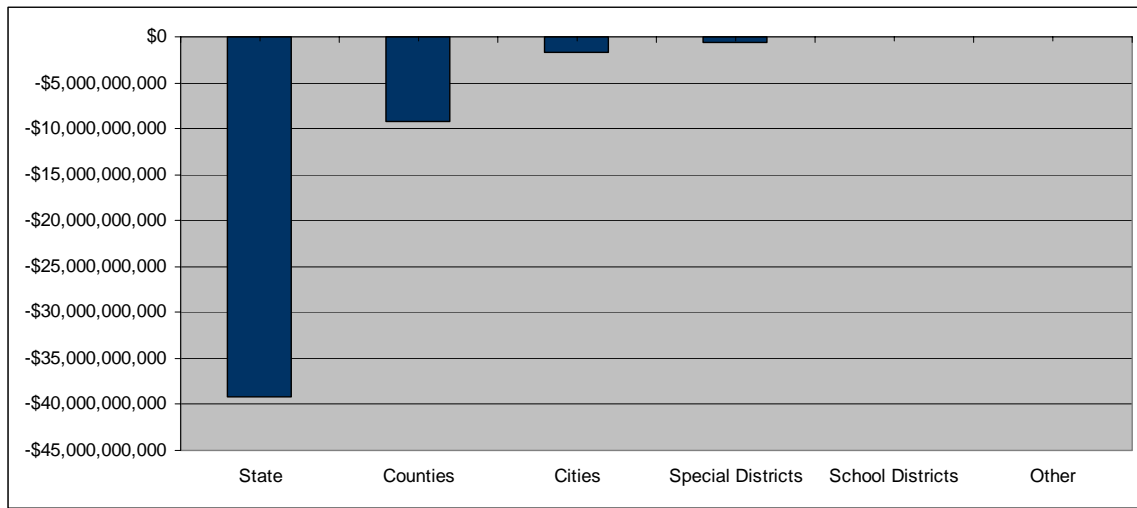


Chart 1-5b: Change In (UAAL)/Excess, FY 1997-98 to FY 2003-04

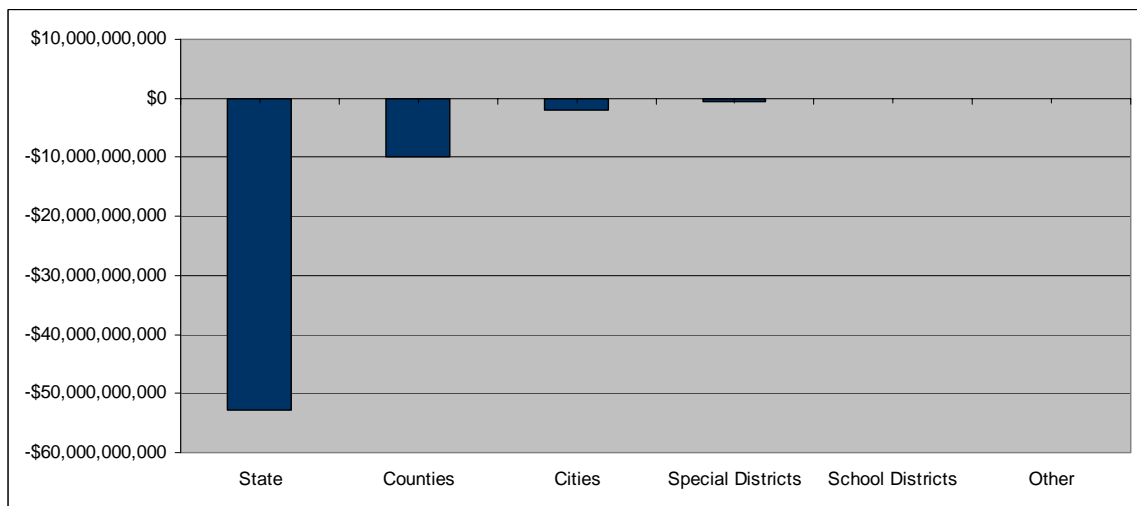


Table 1-6 shows the employer's contribution to retirement systems in California as a percentage of payroll for the various categories of governments shown in each of the columns. So, for example, in FY 1997-98 the allocation to state-sponsored retirement systems was equal to 9.36% of the total payroll for all active member in those systems for that year. Agencies decreased their allocations during the late 1990s when investment income from the retirement system's portfolio was quite high, but now have had to increase their contributions at a rapidly accelerating rate since FY 2001-02. Similar data are shown for the counties, cities, special districts and school districts during this period. Keep in mind that individual counties, cities, special districts or school districts may have had either higher or lower contribution rates during this period. Similarly, the overall contribution rate shown in the far right column is a calculated figure representative of all the public employee retirement systems in the state.

Chart 1-6A shows the employer contribution as a percentage of that category of employers' payroll during this period. Chart 1-6B shows the percentage change in these contributions over that same time, as shown in the bottom row of Table 1-6.

Table 1-6: General Employer Contribution Rates as a Percent of Payroll,
FY 1997-98 to FY 2003-04

Fiscal Year	State	Counties	Cities	Special Districts	School Districts	All General
1997-98	9.36%	9.96%	8.06%	8.71%	2.50%	9.37%
1998-99	7.29%	8.90%	6.55%	9.20%	2.70%	8.53%
1999-00	3.97%	7.83%	8.40%	9.09%	2.70%	7.90%
2000-01	4.35%	7.28%	7.21%	8.62%	2.70%	7.45%
2001-02	3.62%	7.92%	8.20%	9.10%	2.80%	7.61%
2002-03	5.53%	8.12%	4.02%	8.88%	3.10%	7.25%
2003-04	8.09%	11.47%	3.76%	10.24%	3.30%	8.96%
% Change	-13.57%	15.16%	-53.35%	17.57%	32.00%	-4.38%

Chart 1-6a: General Employer Contribution Rates as a Percent of Payroll

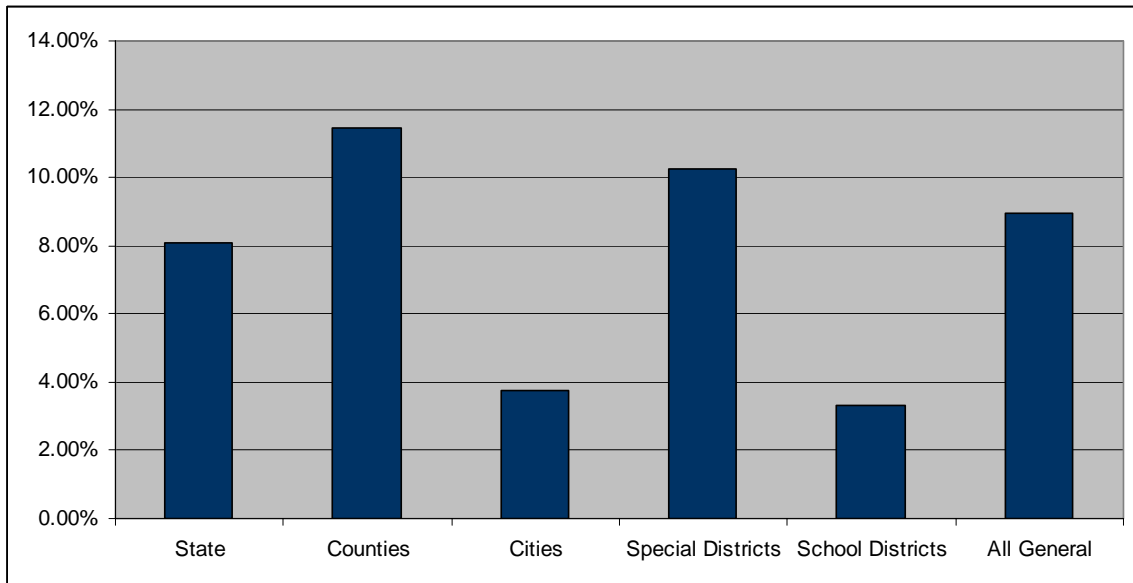


Chart 1-6b: Percent Change in General Employer Contribution Rates as a Percent of Payroll

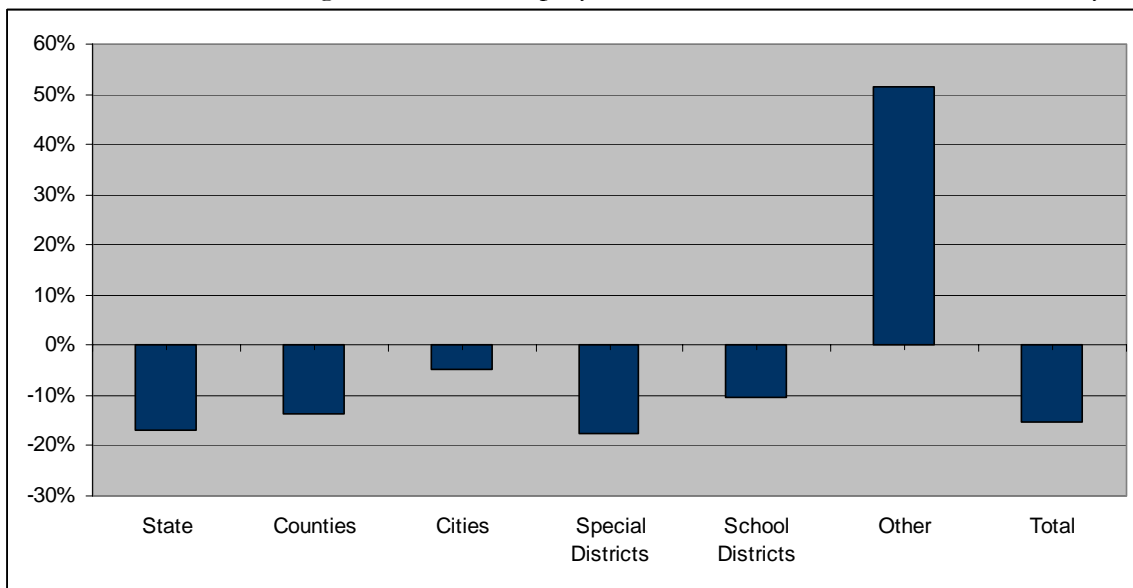


Table 1-7 shows data about employer contributions to public employee retirement systems for public safety employees in California. Generally speaking, employer contributions for public safety employees are higher than for non public safety employees. This is because the retirement benefits for public safety employees are more lavish than they are for other employees. Public safety employees retire at an earlier age (often by age 50), and with a higher pension (often exceeding 90% of their last year's salary) than is typically the case for other public employees. Hence, employer contributions to public safety employee retirement systems are larger. Thus, the additional percentage above salary expenditure that public agencies have to contribute to finance these higher retirement benefits is typically much greater than is the case for non public safety employees.

As the data in Table 1-7 show, there has been substantial volatility in the size of these contributions between FY 1997-98 and FY 2003-04. For instance, between FY 1999-00 and FY 2003-04, the employer contributions to state-sponsored systems increase nearly 300% from 5.21% of annual payroll to 14.85% of annual payroll. The calculated percentage contribution for all cities peaked at over 23% in FY 2002-03, but dropped sharply in FY 2003-04. Based on previous years' experience, it seems unlikely that the calculated percentage for cities will remain this low going forward.

Table 1-7A shows the calculated employer contribution for each category of government in FY 2003-04, while Table 1-7B shows the percentage change in this calculated number between FY 1997-98 and FY 2003-04.

Table 1-7: Safety Employer Contribution, FY 1997-98 to FY 2003-04

Fiscal Year	State	Counties	Cities	All Safety
1997-98	11.13%	16.35%	19.25%	16.86%
1998-99	8.14%	14.40%	16.04%	14.44%
1999-00	5.21%	15.25%	11.90%	13.82%
2000-01	5.81%	13.87%	9.00%	12.14%
2001-02	9.87%	14.78%	22.38%	16.25%
2002-03	13.51%	15.73%	23.29%	18.49%
2003-04	14.85%	19.78%	5.85%	14.01%
% Change	33.42%	20.98%	-69.61%	-16.90%

Chart 1-7a: Safety Employer Contribution, FY 2003-04

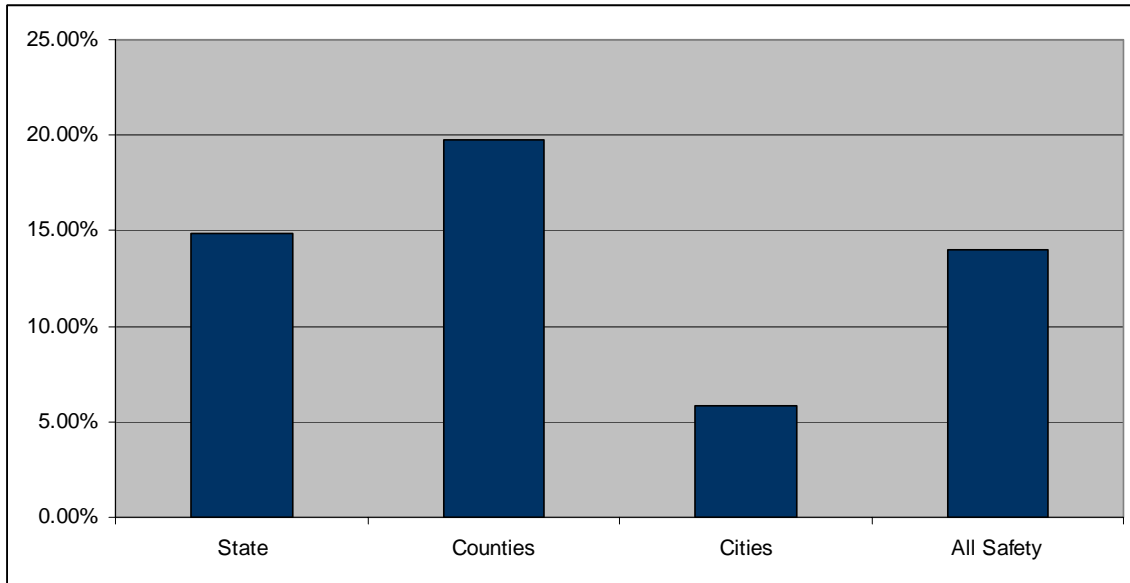


Chart 1-7b: Percent Change in Safety Employer Contribution, FY 1997-98 to FY 2003-04

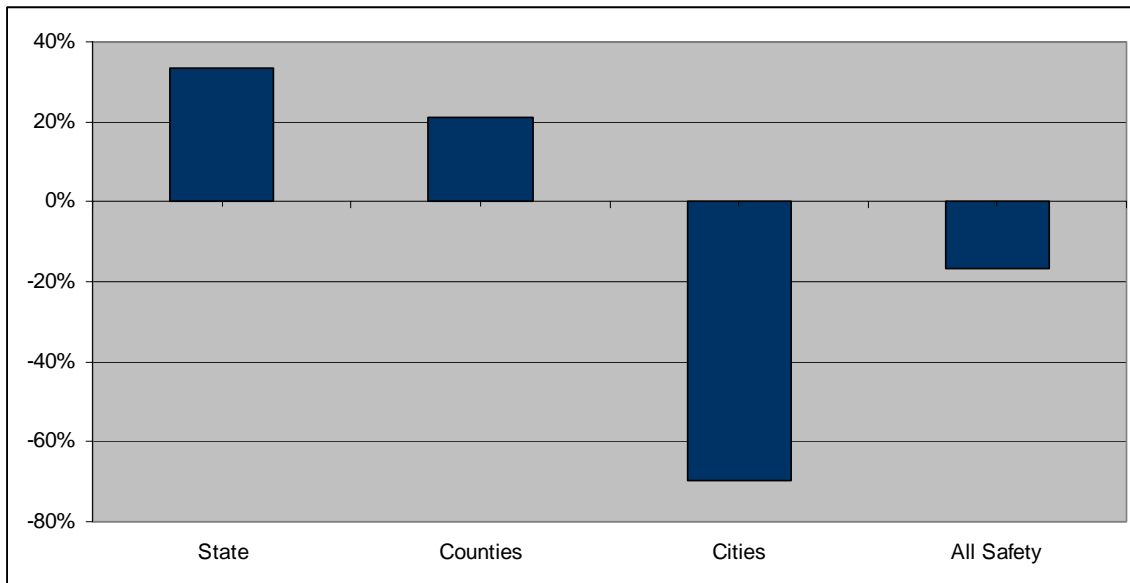


Table 1-8 shows data about the dollar amount that employers have contributed to public employee retirement systems in California between FY 1997-98 and FY 2003-04. What is significant here is that the total amount contributed over this period has increased from approximately \$5.1 billion in FY 1997-98 to almost \$10.2 billion in FY 2003-04, as shown in the far right column of Table 1-6. This is a percentage change of almost 100% (99.49%). The state systems increased over 73% and counties increased over 344% during this same period.

Chart 1-8A shows the dollar amount of these contributions in FY 2003-04, while Table 1-8B shows the percentage change in these amounts between FY 1997-98 and FY 2003-04.

Table 1-8: Total Employer Contributions, FY 1997-98 to FY 2003-04

Fiscal Year	State	Counties	Cities	Special Districts	School Districts	Other	Total
1997-98	\$3,680,376,000	\$680,034,000	\$593,227,000	\$97,307,000	\$782,000	\$49,825,000	\$5,101,551,000
1998-99	\$3,094,918,000	\$566,493,000	\$531,572,000	\$76,105,000	\$1,348,000	\$42,877,000	\$4,313,313,000
1999-00	\$2,065,800,000	\$544,318,000	\$547,675,000	\$92,135,000	\$2,008,000	\$42,910,000	\$3,294,846,000
2000-01	\$2,261,793,000	\$632,306,000	\$410,691,000	\$87,334,000	\$2,119,000	\$46,032,000	\$3,440,275,000
2001-02	\$2,589,771,000	\$785,978,000	\$367,035,000	\$96,790,000	\$2,563,000	\$51,871,000	\$3,894,008,000
2002-03	\$3,960,888,000	\$1,956,782,000	\$384,320,000	\$127,755,000	\$3,109,000	\$57,707,000	\$6,490,561,000
2003-04	\$6,389,636,000	\$3,019,536,000	\$538,015,000	\$137,814,000	\$3,008,000	\$89,021,000	\$10,177,030,000
% Change	73.6%	344.0%	-9.3%	41.6%	284.7%	78.7%	99.5%

Chart 1-8a: Total Employer Contributions, FY 2003-04

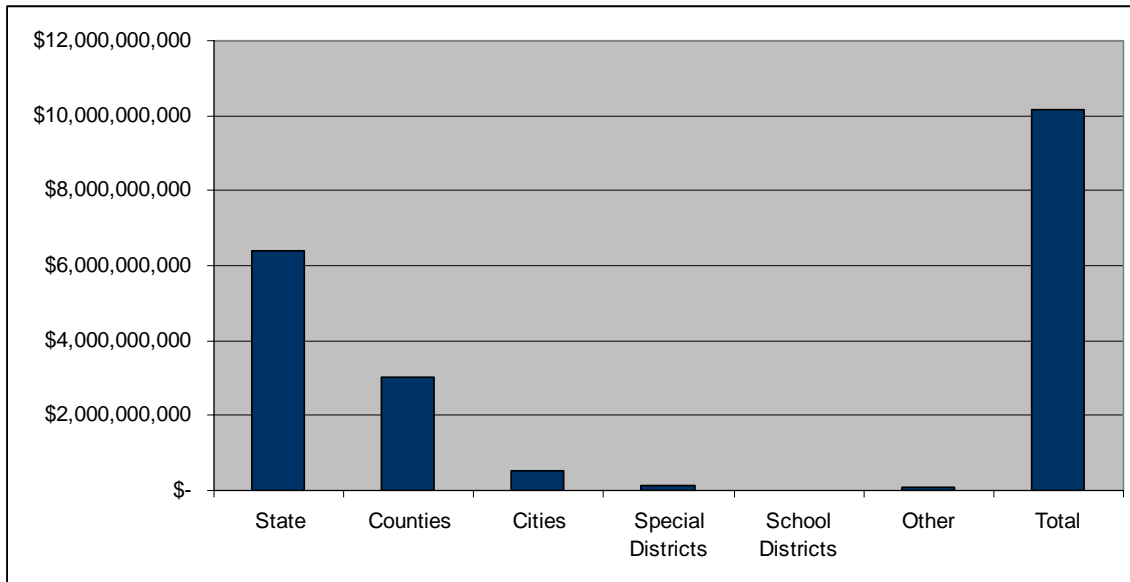


Chart 1-8b: Percent Change in Total Employer Contributions, FY 1997-98 to FY 2003-04

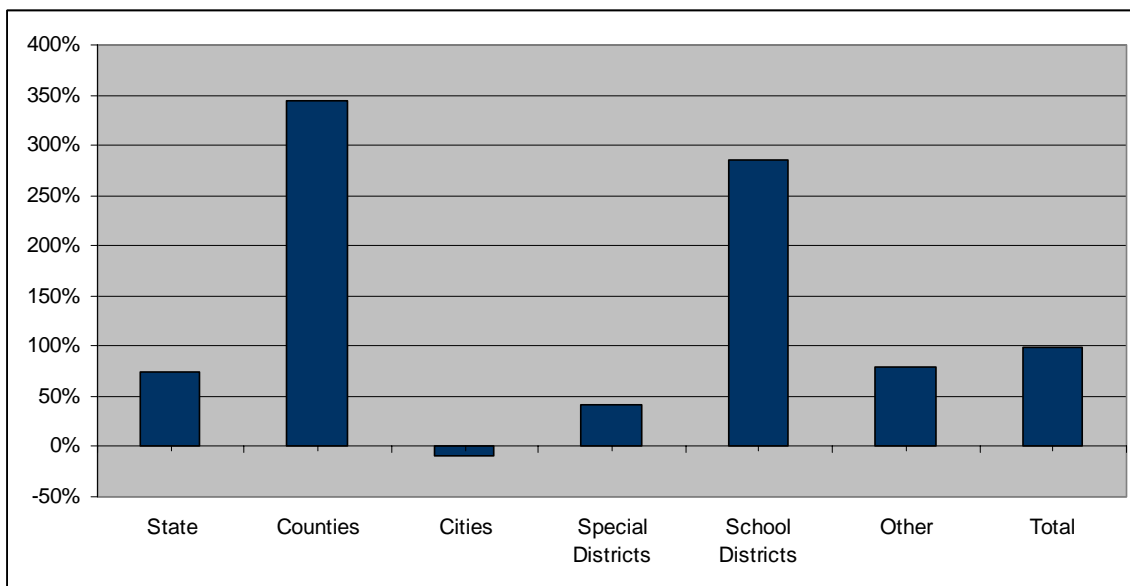


Table 1-9 shows employee contributions to the various categories of public employee retirement systems between FY 1997-98 and FY 2003-04. In total, these contributions have increased from approximately \$3.9 billion in FY 1997-98 to almost \$6.7 billion in FY 2003-04, as shown in the far right column. This represents an increase of almost 70% (69.87%). It should be kept in mind, however, that in many governmental agencies the employer pays the “employee contribution.” It should also be kept in mind that, ultimately, the taxpayer pays both the employer and the employee contributions, no matter how they are calculated.

Chart 1-9A shows the dollar amount of these employee contributions in FY 2003-04, while Table 1-9B shows the percentage change in these amounts between FY 1997-98 and FY 2003-04.

Table 1-9: Total Employee Contributions, FY 1997-98 to FY 2003-04

Fiscal Year	State	Counties	Cities	Special Districts	School Districts	Other	Total
1997-98	\$3,146,550,000	\$415,319,000	\$325,949,000	\$20,374,000	\$0	\$22,612,000	\$3,930,804,000
1998-99	\$3,384,219,000	\$467,287,000	\$344,514,000	\$23,775,000	\$0	\$24,087,000	\$4,243,882,000
1999-00	\$3,855,527,000	\$490,057,000	\$363,063,000	\$25,518,000	\$460,000	\$25,736,000	\$4,760,361,000
2000-01	\$4,245,054,000	\$532,790,000	\$391,916,000	\$24,125,000	\$467,000	\$25,838,000	\$5,220,190,000
2001-02	\$4,716,218,000	\$626,486,000	\$466,467,000	\$23,848,000	\$452,000	\$28,984,000	\$5,862,455,000
2002-03	\$4,725,967,000	\$678,699,000	\$528,848,000	\$25,773,000	\$678,000	\$27,940,000	\$5,987,905,000
2003-04	\$5,330,853,000	\$756,991,000	\$531,922,000	\$29,117,000	\$592,000	\$27,974,000	\$6,677,449,000
% Change	69.42%	82.27%	63.19%	42.91%	-	23.71%	69.87%

Chart 1-9a: Total Employee Contributions, FY 2003-04

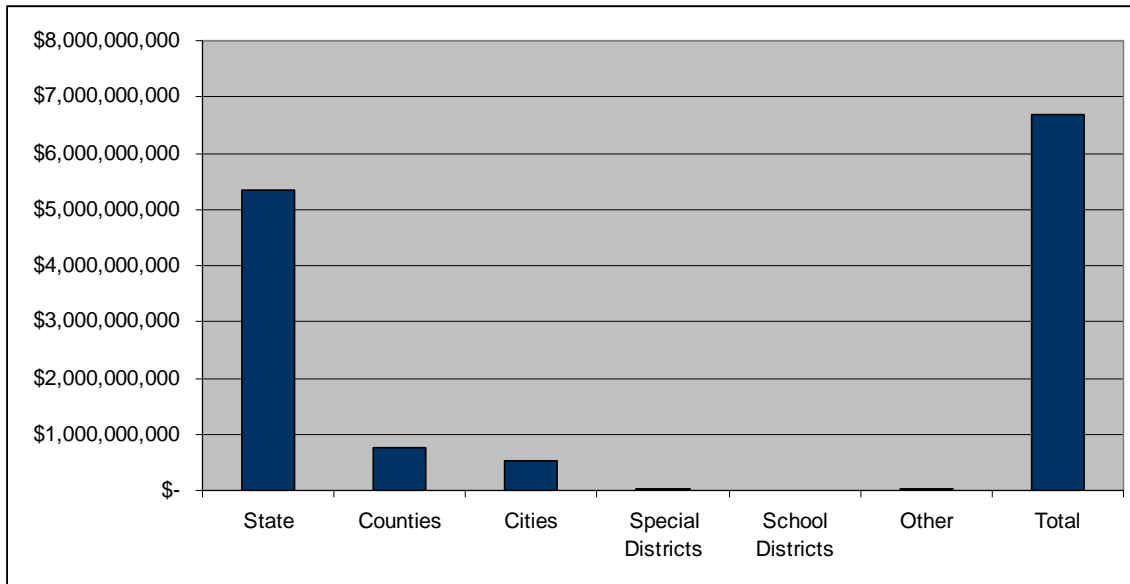


Chart 1-9b: Percent Change in Total Employee Contributions, FY 1997-98 to FY 2003-04

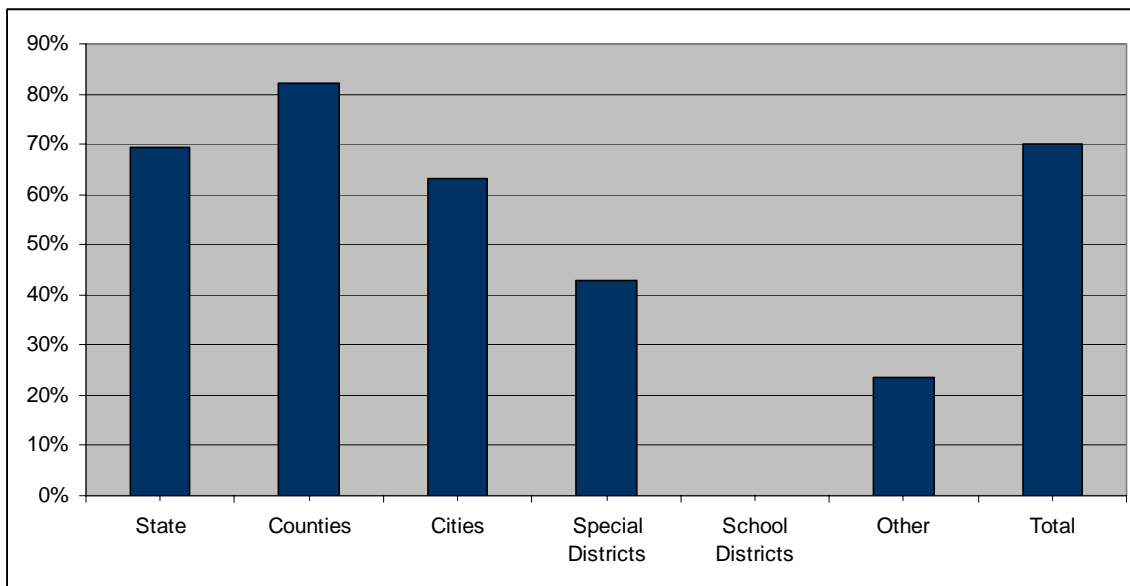


Table 1-10 shows investment income generated by these various categories of retirement systems between FY 1997-98 and FY 2003-04. In total, investment income fluctuated substantially over this period, as shown in the far right column. In FY 1997-98 the investment income was almost \$58.1 billion, and in subsequent years it dropped sharply to a little over \$13.6 billion in FY 2002-03. In FY 2003-04 it rebounded sharply to \$64.4 billion.

Chart 1-10A shows the dollar amount of this investment income in FY 2003-04, while Table 1-10B shows the percentage change in this income between FY 1997-98 and FY 2003-04.

Table 1-10: Investment Income, FY 1997-98 to FY 2003-04

Fiscal Year	State	Counties	Cities	Special Districts	School Districts	Other	Total
1997-98	\$44,658,594,000	\$8,127,104,000	\$5,559,607,000	\$335,108,000	\$129,000	\$11,664,000	\$58,692,206,000
1998-99	\$35,937,055,000	\$7,333,909,000	\$4,835,623,000	\$283,004,000	\$263,000	\$10,115,000	\$48,399,969,000
1999-00	\$35,088,362,000	\$8,457,942,000	\$5,534,532,000	\$289,477,000	\$737,000	\$15,535,000	\$49,386,585,000
2000-01	-\$25,401,608,000	-\$3,212,332,000	-\$2,747,774,000	-\$7,920,000	\$149,000	\$19,132,000	-\$31,350,353,000
2001-02	-\$20,041,453,000	-\$3,115,158,000	-\$2,417,912,000	-\$139,130,000	\$63,000	\$16,459,000	-\$25,697,131,000
2002-03	\$11,442,951,000	\$602,990,000	\$1,630,834,000	-\$7,047,000	-\$177,000	\$16,066,000	\$13,685,617,000
2003-04	\$46,773,478,000	\$10,710,819,000	\$6,479,552,000	\$431,743,000	\$2,205,000	\$9,378,000	\$64,407,175,000
%Change	4.74%	31.79%	16.55%	28.84%	1609.30%	-19.60%	9.74%

Chart 1-10a: Investment Income, FY 2003-04

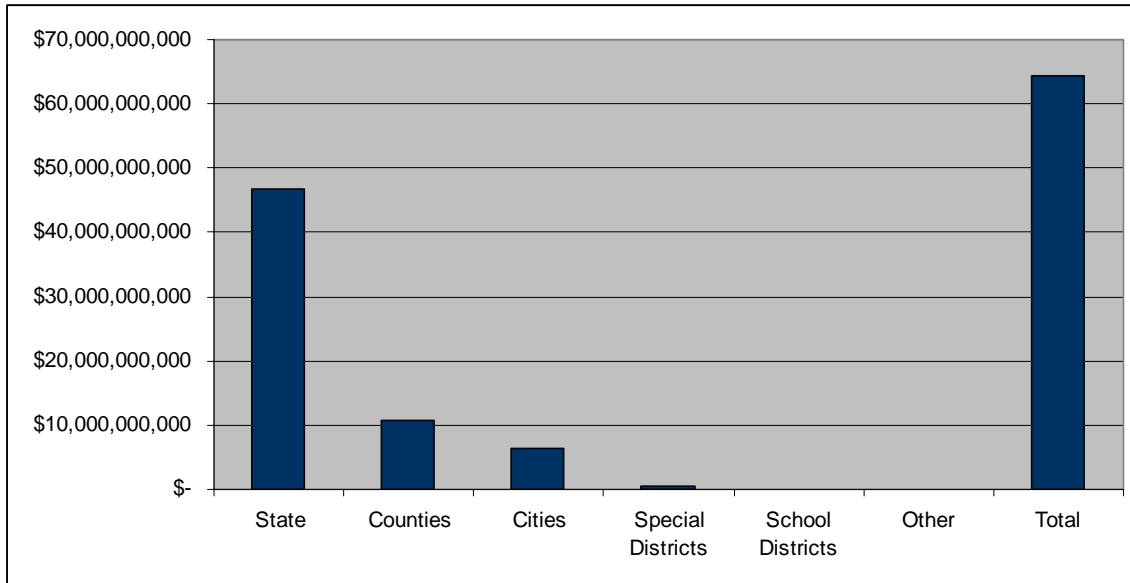


Chart 1-10b: Percent Change in Investment Income, FY 1997-98 to FY 2003-04

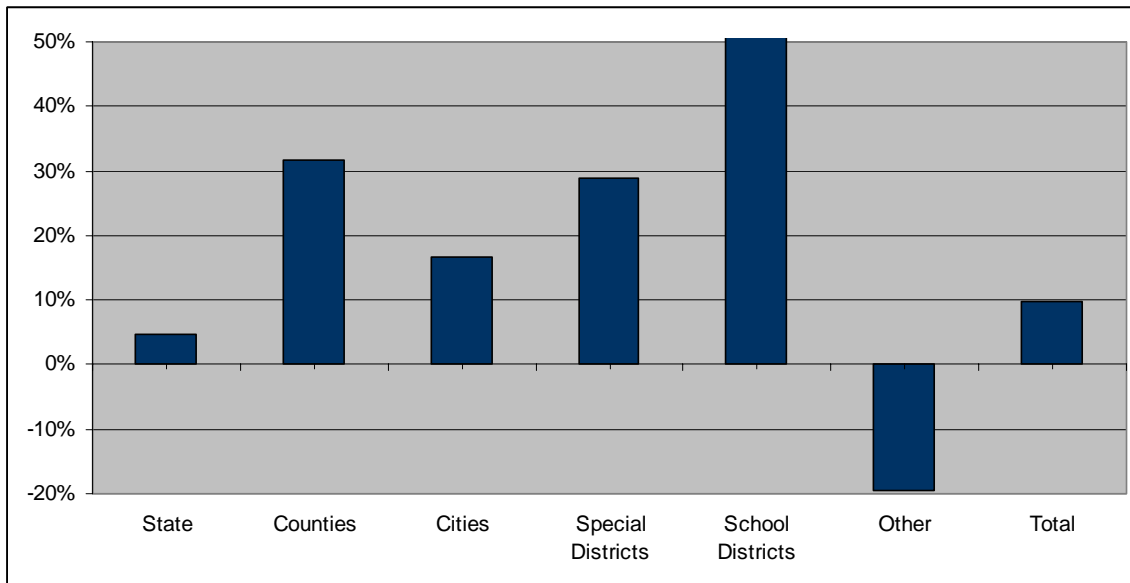


Table 1-11 shows total revenues for these categories of public employee retirement system from FY 1997-98 through FY 2003-04. The total revenues, as shown in the far right column, were a little over \$68.8 billion in FY 1997-98, and dropped precipitously in FY 2001-02 to a little over \$14.9 billion, and then recovered strongly in FY 2003-04 to over \$82.5 billion.

Chart 1-11A shows the total revenues in FY 2003-04, while Table 1-11B shows the percentage change between FY 1997-98 and FY 2003-04.

Table 1-11: Total Revenue, FY 1997-98 to FY 2003-04

Fiscal Year	State	Counties	Cities	Special Districts	School Districts	Other	Total
1997-98	\$52,551,634,000	\$9,253,814,000	\$6,496,566,000	\$454,286,000	\$911,000	\$84,101,000	\$68,841,312,000
1998-99	\$43,091,606,000	\$8,374,406,000	\$5,743,963,000	\$383,885,000	\$1,611,000	\$77,079,000	\$57,672,550,000
1999-00	\$41,957,269,000	\$9,496,985,000	\$6,662,452,000	\$411,369,000	\$3,211,000	\$84,181,000	\$58,615,467,000
2000-01	-\$17,857,896,000	-\$2,051,561,000	-\$1,910,805,000	\$114,650,000	\$2,815,000	\$91,002,000	-\$21,611,795,000
2001-02	-\$11,764,066,000	-\$1,699,112,000	-\$1,574,706,000	-\$18,010,000	\$3,078,000	\$97,314,000	-\$14,955,502,000
2002-03	\$21,243,491,000	\$3,415,073,000	\$2,590,817,000	\$147,586,000	\$3,610,000	\$103,564,000	\$27,504,141,000
2003-04	\$59,148,698,000	\$15,056,945,000	\$7,616,802,000	\$599,263,000	\$5,807,000	\$126,881,000	\$82,554,396,000
% Change	12.55%	62.71%	17.24%	31.91%	537.43%	50.87%	19.92%

Chart 1-11a: Total Revenue, FY 2003-04

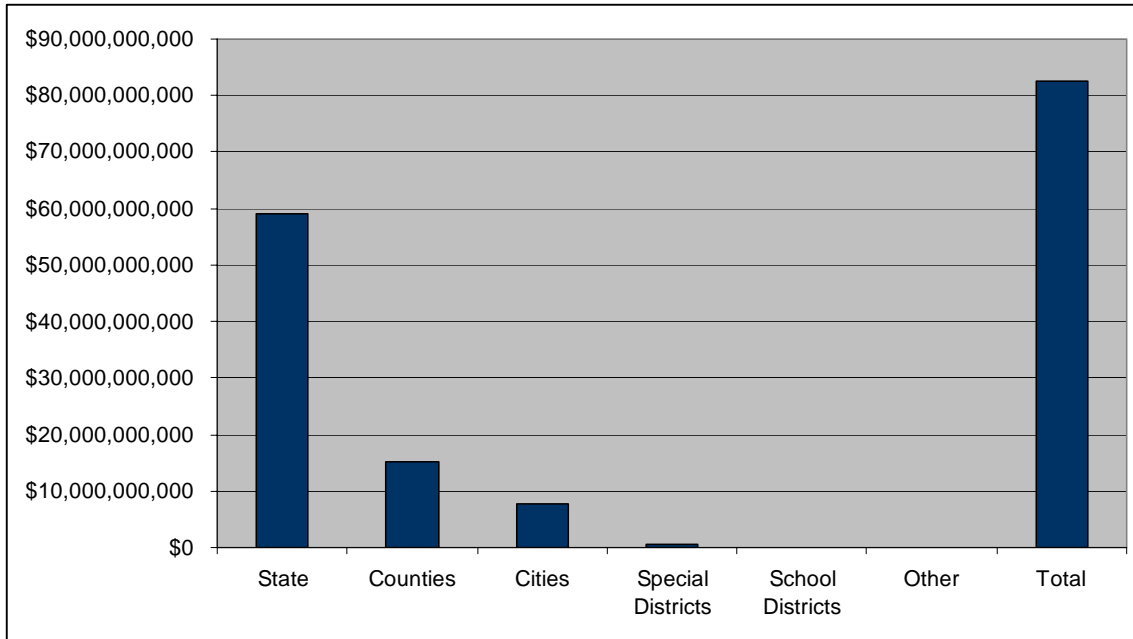


Chart 1-11b: Percent Change in Total Revenue, FY 1997-98 to FY 2003-04

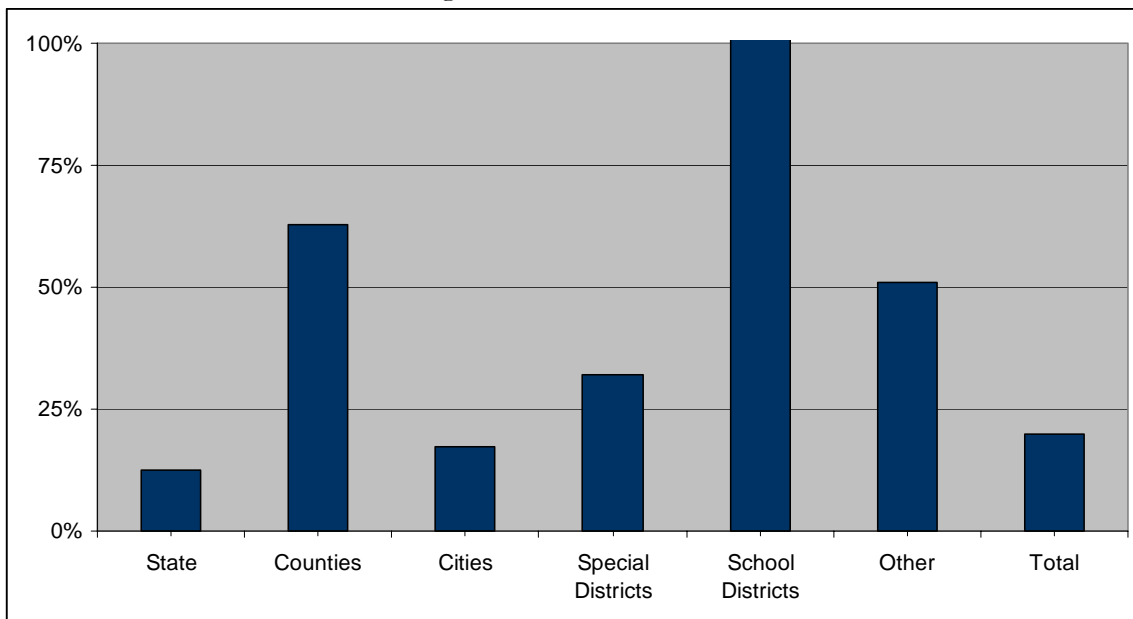


Table 1-12 shows data about public employee system retiree benefit payments from FY 1997-98 through FY 2003-04. As shown in the far right column, the total amount of these payments increased from approximately \$11.6 billion in FY 1997-98 to over \$20.1 billion in FY 2003-04. This was an increase of over 73% (73.63%).

Chart 1-12A shows the total payments in FY 2003-04, while Table 1-12B shows the percentage change between FY 1997-98 and FY 2003-04.

Table 1-12: Benefit Payments, FY 1997-98 to FY 2003-04

Fiscal Year	State	Counties	Cities	Special Districts	Schools	Other	Total
1997-98	\$8,101,279,000	\$1,854,282,000	\$1,454,068,000	\$156,707,000	\$87,000	\$43,058,000	\$11,609,481,000
1998-99	\$8,737,206,000	\$2,029,683,000	\$1,586,508,000	\$202,686,000	\$154,000	\$41,156,000	\$12,597,393,000
1999-00	\$9,503,093,000	\$2,192,823,000	\$1,737,189,000	\$167,073,000	\$196,000	\$41,084,000	\$13,641,458,000
2000-01	\$10,712,799,000	\$2,448,720,000	\$1,864,585,000	\$123,501,000	\$338,000	\$51,733,000	\$15,201,676,000
2001-02	\$11,713,421,000	\$2,673,615,000	\$1,977,779,000	\$163,143,000	\$553,000	\$51,466,000	\$16,579,977,000
2002-03	\$12,788,991,000	\$2,939,770,000	\$2,108,945,000	\$162,409,000	\$658,000	\$60,465,000	\$18,061,238,000
2003-04	\$14,383,627,000	\$3,259,914,000	\$2,251,704,000	\$169,666,000	\$867,000	\$91,993,000	\$20,157,771,000
% Change	77.55%	75.80%	54.86%	8.27%	896.55%	113.65%	73.63%

Chart 1-12a: Benefit Payments, FY 2003-04

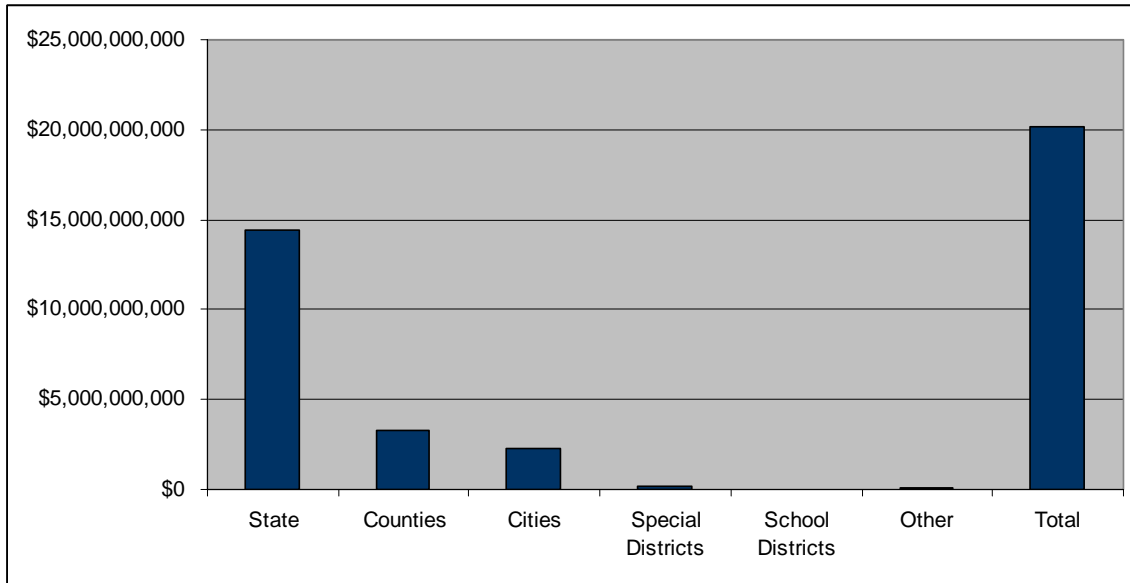


Chart 1-12b: Percent Change in Benefit Payments, FY 1997-98 to FY 2003-04

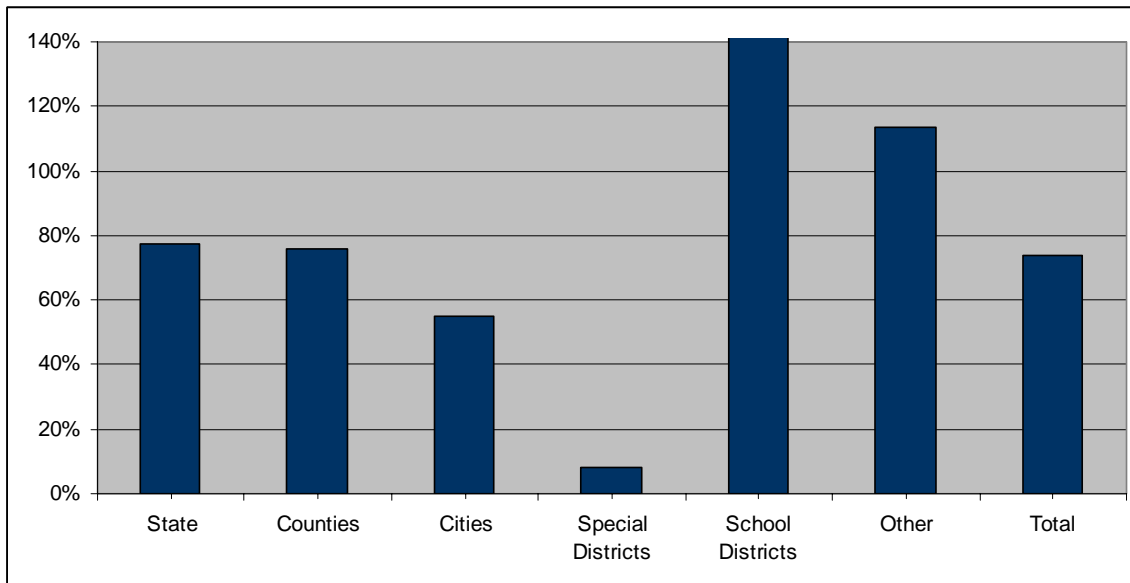


Table 1-13 and Chart 1-13 show data about retirement formulas for selected categories of employees in four California local governments. As shown in Table 1-13, a public safety employee in Orange County can retire at age 50 with 42% of his or her salary as a pension after less than 14 years service. Orange County public safety employees receive the so-called “3% at 50” benefit, which means that they receive 3% of their base salaries in pension benefits for each year that they work and can retire at age 50. Orange County general employees (2.7% at 55) can retire at age 55 with 40.5% of their salaries after 15 years employment. City of San Diego general employees (2.5% at 55) can retire with 40% of their salaries at age 55 after 16 years employment. General employees in the City of Loma Linda (2% at 55) can retire at 55 with 40% of their salaries after 20 years of employment. By way of comparison, few private sector employees receive pensions equaling 40% of their salaries even after 40 years of employment.

Chart 1-13 shows the data from Table 1-13 in graphic form.

Chart 1-13: Retirement Formulas For Major California Localities

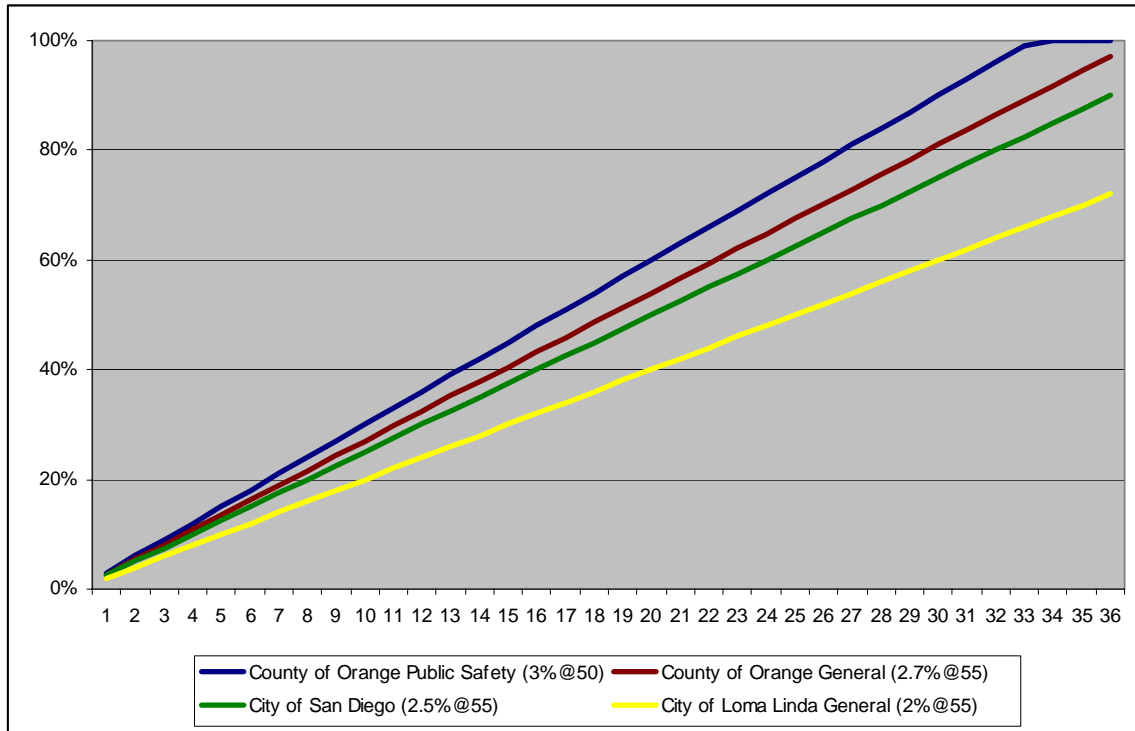


Table 1-13: Retirement Formulas For Major California Localities

Years of Service	County of Orange Public Safety (3%@50)	County of Orange General (2.7%@55)	City of San Diego (2.5%@55)	City of Loma Linda General (2%@55)
1	3.0%	2.7%	2.5%	2.0%
2	6.0%	5.4%	5.0%	4.0%
3	9.0%	8.1%	7.5%	6.0%
4	12.0%	10.8%	10.0%	8.0%
5	15.0%	13.5%	12.5%	10.0%
6	18.0%	16.2%	15.0%	12.0%
7	21.0%	18.9%	17.5%	14.0%
8	24.0%	21.6%	20.0%	16.0%
9	27.0%	24.3%	22.5%	18.0%
10	30.0%	27.0%	25.0%	20.0%
11	33.0%	29.7%	27.5%	22.0%
12	36.0%	32.4%	30.0%	24.0%
13	39.0%	35.1%	32.5%	26.0%
14	42.0%	37.8%	35.0%	28.0%
15	45.0%	40.5%	37.5%	30.0%
16	48.0%	43.2%	40.0%	32.0%
17	51.0%	45.9%	42.5%	34.0%
18	54.0%	48.6%	45.0%	36.0%
19	57.0%	51.3%	47.5%	38.0%
20	60.0%	54.0%	50.0%	40.0%
21	63.0%	56.7%	52.5%	42.0%
22	66.0%	59.4%	55.0%	44.0%
23	69.0%	62.1%	57.5%	46.0%
24	72.0%	64.8%	60.0%	48.0%
25	75.0%	67.5%	62.5%	50.0%
26	78.0%	70.2%	65.0%	52.0%
27	81.0%	72.9%	67.5%	54.0%
28	84.0%	75.6%	70.0%	56.0%
29	87.0%	78.3%	72.5%	58.0%
30	90.0%	81.0%	75.0%	60.0%
31	93.0%	83.7%	77.5%	62.0%
32	96.0%	86.4%	80.0%	64.0%
33	99.0%	89.1%	82.5%	66.0%
34	100.0%	91.8%	85.0%	68.0%
35	100.0%	94.5%	87.5%	70.0%
36	100.0%	97.2%	90.0%	72.0%

Section 2: CalPERS

Section 2 analyzes the character of the California Public Employees Retirement System, more commonly and hereinafter referred to as CalPERS. CalPERS is a state agency that provides service to most state and local governments in California. CalPERS may be thought of as a public insurance annuity company. Member agencies, that is to say local governments in California, contract with CalPERS to provide pensions for their employees. Under this arrangement, the governing councils or boards of local governments decide what level of pension benefits to award their employees, and then CalPERS, in essence, bills those individual local governments to provide the necessary funds to finance the pension benefits awarded by the local governing council or board. CalPERS makes the applicable actuarial calculations for each government, collects the funds from the local government, invests the funds (in a “pooled” investment program), maintains the appropriate accounts for each local government (and indeed for each employee and retiree), and disburses the pension checks to the retirees. As of July 1, 2005, 1,523 public agency contracts provided retirement, death, and survivor benefits for employees of 57 county superintendents of schools, representing 1,059 school districts; four other school district offices; 446 cities and towns; 36 counties; and 979 districts and other public agencies bringing the total number of public agency employers to 2,582.

Table 2-1 and Chart 2-1 provide data on the number of local government employees covered by CalPERS from 2003 through 2005. In 2005 there were 380,374 school district employees throughout the state who were in CalPERS. It should be noted here that most teachers are not in this group. Most teachers are in a different public employee system called CalSTRS, which is examined in more detail in Section 3. In 2005 there were 161,515 employees in various cities covered by CalPERS. Again, it should be noted that a number of cities in California, including Los Angeles and San Diego, participate in non-CalPERS retirement systems, but most of the approximately 485 cities in California use CalPERS for employee retirement purposes. Similarly, in 2005 there were 88,717 employees in various counties covered by CalPERS. Here again, 21 of the 58 counties in California have their own separate non CalPERS retirement systems. There were 75,704 employees of special districts and other public agencies in California who were covered by CalPERS in 2005, while many other special districts had their own systems or participate in a city or county sponsored system.

The total number of public employees with “active accounts” covered by CalPERS in 2005 was 706,310. Over 300,000 persons are categorized by CalPERS as “non active.” These people have funds allocated to their accounts in the CalPERS system, but are not currently employed by a government that has contracted with CalPERS. They have moved to employment at a non CalPERS government, left the public sector to work in the private sector, or simply stopped working without retiring.

Chart 2-1 shows the relative percentage by type of government of the total “active” government employees in CalPERS.

Table 2-1: Active CalPERS Members by Type of Government - Local Level

	2005	2004	2003
Schools	380,374	372,614	373,171
Cities	161,515	158,884	160,155
Counties	88,717	87,468	89,838
Districts & Other Public Agencies	75,704	73,616	71,919
Total Public Agency Members	706,310	692,582	695,083
Total Members Active & Inactive	1,016,982	1,002,067	1,014,360

Chart 2-1: Active CalPERS Members by Type of Government - Local Level

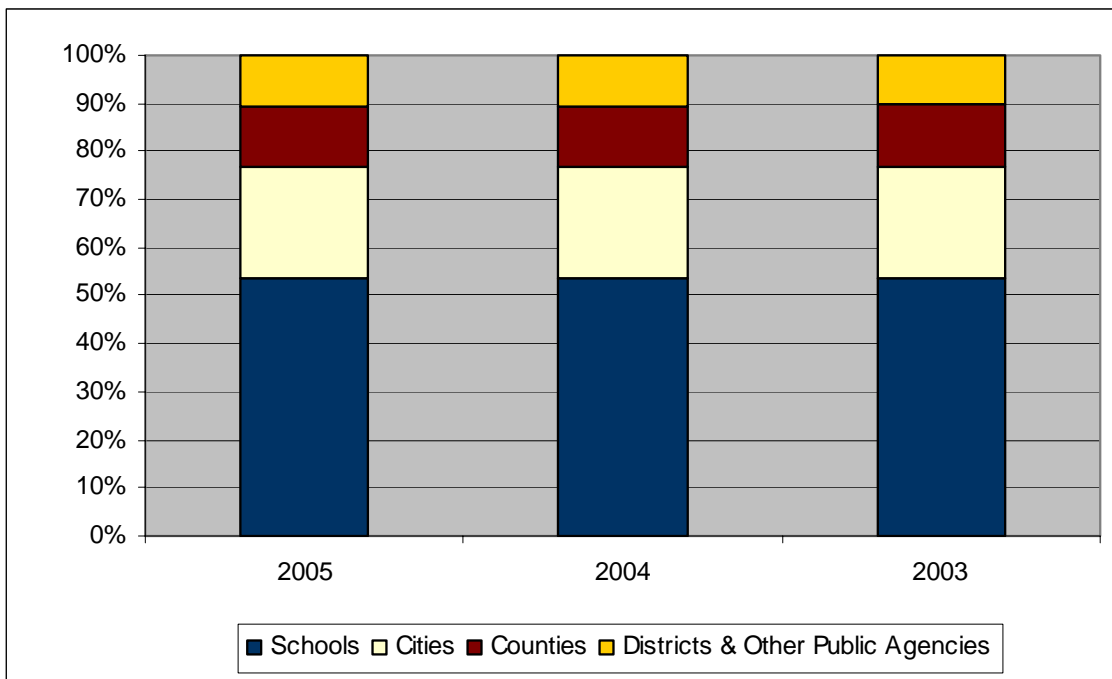


Table 2-2 and Chart 2-2 show data about CalPERS membership by state level agencies in California. Keep in mind that the previous table (Table 2-1) showed data about local government employees covered by CalPERS, while Table 2-2 and Chart 2-2 show data about state government employees covered by CalPERS. The largest number of state employees covered by CalPERS is classified as “miscellaneous” employees, which really means those state employees who are not part of the other separate categories of employees listed in Table 2-2. Note that there are only a small number of University of California (UC) employees shown. Most UC employees are covered by a separate retirement system, the University of California Retirement Plan.

The other categories of employees listed in Table 2-2 are primarily “public safety” employees and are listed separately because the pension benefits are more lavish, and hence more expensive, therefore requiring more money from their employing agencies to be given to CalPERS.

The relative percentages of these categories of employees are shown in Chart 2-2.

Table 2-2: Active CalPERS Members by Type of Government - State Level

	2005	2004	2003
State Miscellaneous	219,919	227,096	231,693
University of California	127	92	244
State Industrial	11,032	10,607	11,000
California Highway Patrol	11,359	10,236	11,959
State Safety	21,750	16,714	17,782
Peace Officer Firefighter (POF)	46,485	44,740	46,599
Total State Members	310,672	309,485	319,277

Chart 2-2: Active CalPERS Members by Type of Government - Local Level

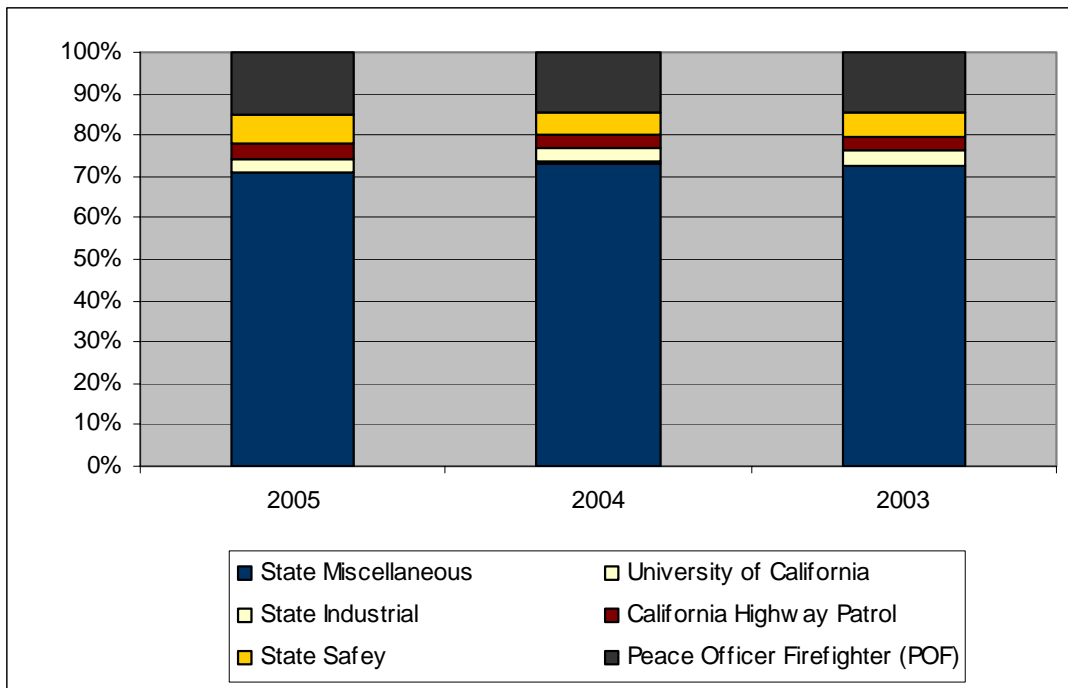


Table 2-3 and Chart 2-3 show data about the average annual salary paid to “active” CalPERS members compared to per capita personal income in California. The average CalPERS salary is higher than the average per capita personal income in every year shown.

Table 2-3: Average Annual CalPERS Salary and California Per Capita Personal Income

Fiscal Year	Average Annual Salary CalPERS-All Funds	CA Per Capita Personal Income
1994-95	\$38,017	\$24,161
1995-96	\$36,245	\$25,312
1996-97	\$37,131	\$26,490
1997-98	\$35,727	\$28,374
1998-99	\$37,870	\$29,828
1999-00	\$39,709	\$32,463
2000-01	\$41,683	\$32,882
2001-02	\$42,869	\$32,803
2002-03	\$44,697	\$33,400
2003-04	\$46,126	\$35,219

Chart 2-3: Average Annual CalPERS Salary and California Per Capita Personal Income

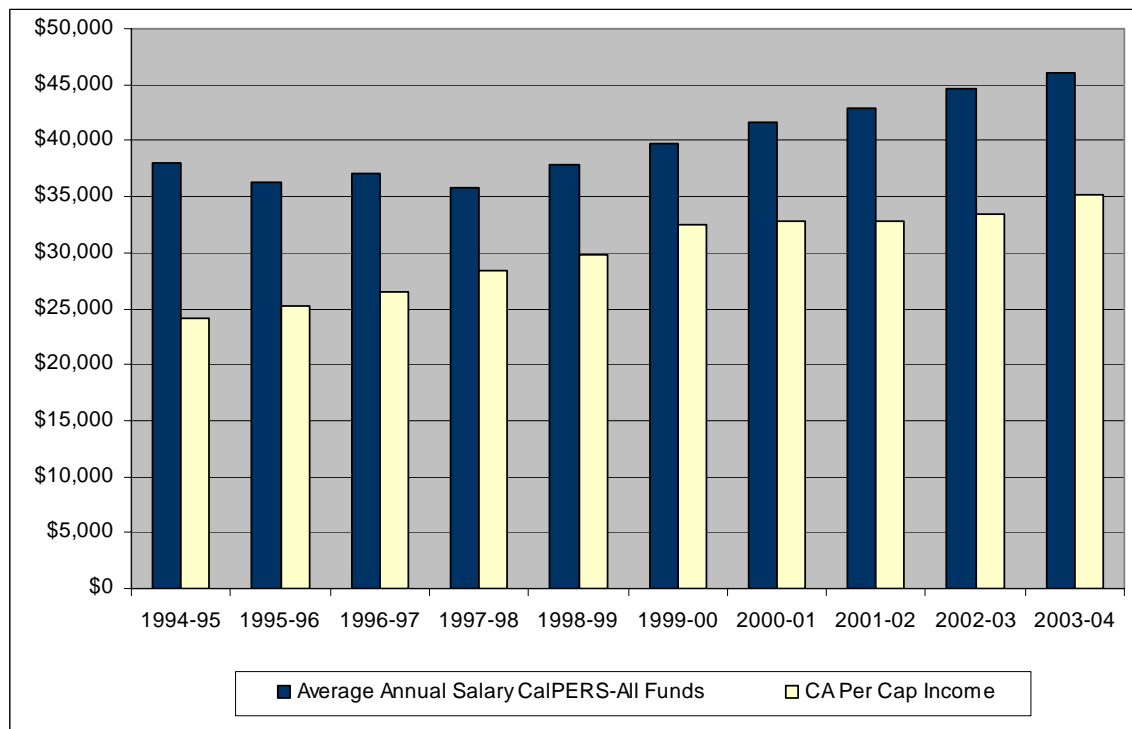


Table 2-4 and Chart 2-4 provide data about benefits payments made by CalPERS from FY 1995-96 through FY 2004-05. The total amount of such payments increased from a little over \$3.9 billion in FY 1995-96 to well over \$8.5 billion in FY 2004-05, an increase of 119% as shown in the far right column of Table 2-4 and in graphic terms in Chart 2-4.

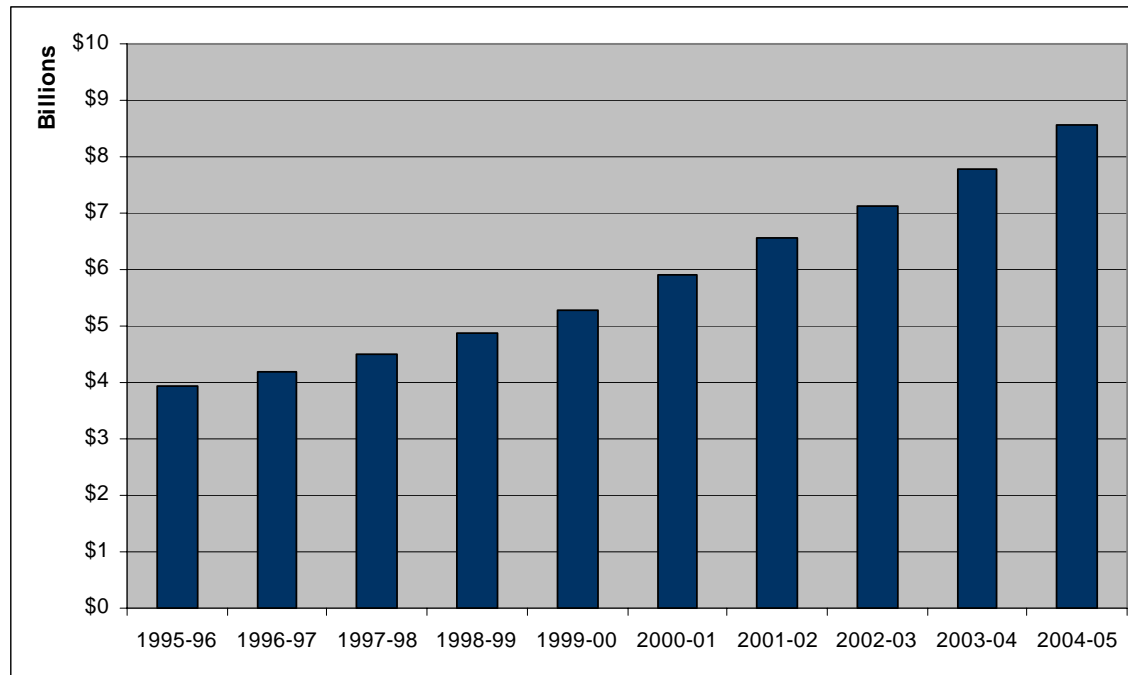
The acronyms shown across the top row of Table 2-4 represent various categories of retirement funds established by CalPERS for separate categories of state and local retirees. The vast majority of state and local employees are covered by the Public Employee Retirement Fund or PERF, which has, by far, the largest benefit payments each year as shown in the “PERF” column of Table 2-4.

“LRF” is the Legislators Retirement Fund, expenditures of which, because of legislative terms limits, have not grown as rapidly as the other categories. “JRF” stands for “Judges Retirement Fund,” of which there are two, one obviously much smaller than the other. “SPO-DC” stands for the “State Peace Officers Defined Contribution” fund, which is like a private citizens’ 410-K retirement account. In California, public employee unions, and their legislative allies, have vigorously opposed “defined contribution” retirement programs, and hence this amount is comparatively minuscule.

Table 2-4: Total Benefit Payments

Fiscal Year	PERF	LRF	JRF-I	JRF-II	VFF	SPO-DC	Total
1995-96	\$3,846,390,136	\$5,585,022	\$71,665,985	—	\$12,215	NA	\$3,923,653,358
1996-97	\$4,097,295,852	\$6,010,347	\$74,445,877	\$18,736	\$11,903	NA	\$4,177,782,715
1997-98	\$4,425,923,411	\$6,280,344	\$77,203,643	\$205,880	\$26,445	NA	\$4,509,639,723
1998-99	\$4,776,869,300	\$6,855,856	\$82,503,531	\$192,697	\$27,015	—	\$4,866,448,399
1999-00	\$5,176,073,695	\$6,630,188	\$90,170,743	\$225,607	\$41,438	—	\$5,273,141,671
2000-01	\$5,792,948,968	\$6,782,467	\$99,423,624	\$142,234	\$55,785	\$1,879,169	\$5,901,232,247
2001-02	\$6,431,019,116	\$6,716,646	\$109,543,399	\$117,545	\$66,413	\$3,361,147	\$6,550,824,266
2002-03	\$6,991,913,800	\$6,851,580	\$113,937,606	\$307,365	\$76,883	\$4,084,127	\$7,117,171,361
2003-04	\$7,639,085,017	\$7,051,153	\$121,603,708	\$584,375	\$58,630	\$4,350,947	\$7,772,733,830
2004-05	\$8,434,118,614	\$7,791,569	\$126,608,787	\$903,641	\$82,265	\$5,352,708	\$8,574,857,584
Percent Change	119%	40%	77%	4723%	573%	185%	119%

Chart 2-4: Total Benefit Payments



Tables 2-5A, 2-5B, and 2-5C show, respectively, the number of retirees, beneficiaries, and active and inactive members in each major fund of CalPERS retirement system.

Active and Inactive members have or have had funds contributed to the system but are not currently drawing a benefit from the system.

Table 2-5A: Retirees by Pension Fund

Retirees	2004	2005
PERF	352,026	368,176
LRF	155	156
JRF-I	1,027	1,055
JRF-II	2	2

Table 2-5B: Survivors and Beneficiaries by Pension Fund

Survivors & Beneficiaries	2004	2005
PERF	61,246	56,918
LRF	107	110
JRF-I	531	551
JRF-II	4	7

Table 2-5C: Active and Inactive Members by Pension Fund

Active & Inactive Members	2004	2005
PERF	1,002,067	1,016,982
LRF	57	47
JRF-I	983	917
JRF-II	690	748

Table 2-6 and Chart 2-6 show the average annual benefit per recipient (retiree, survivor, or beneficiary) for the various categories of employees. Recall from the discussion of Table and Chart 2-4 that PERF is the acronym for “Public Employee Retirement Fund,” which covers, by far, the largest number of employees, as shown on the previous tables (2-5A, 2-5B, and 2-5C). LRF is the Legislative Retirement Fund, and JRF I and II are Judges Retirement Funds.

It should be kept in mind that the dollar amounts shown in each category of employee in Table 2-6 are **not** average annual pensions. Rather, the dollar amounts shown in Table 2-6 include non pension recipients such as survivors and other designated beneficiaries, who do not receive as much as pensioners themselves. This is simply a mathematical computation derived from the data in Tables 2-4 and 2-5.

Table 2-6: Average Benefits Per Recipient (Retirees, Survivors, & Beneficiaries)

Fiscal Year	PERF	LRF	JRF-I	JRF-II
2003-04	\$18,484	\$26,913	\$78,051	\$97,396
2004-05	\$19,841	\$29,292	\$78,835	\$100,405
% Change	7.34%	8.84%	1.00%	3.09%

Chart 2-6: Average Benefits Per Recipient (Retirees, Survivors, & Beneficiaries)

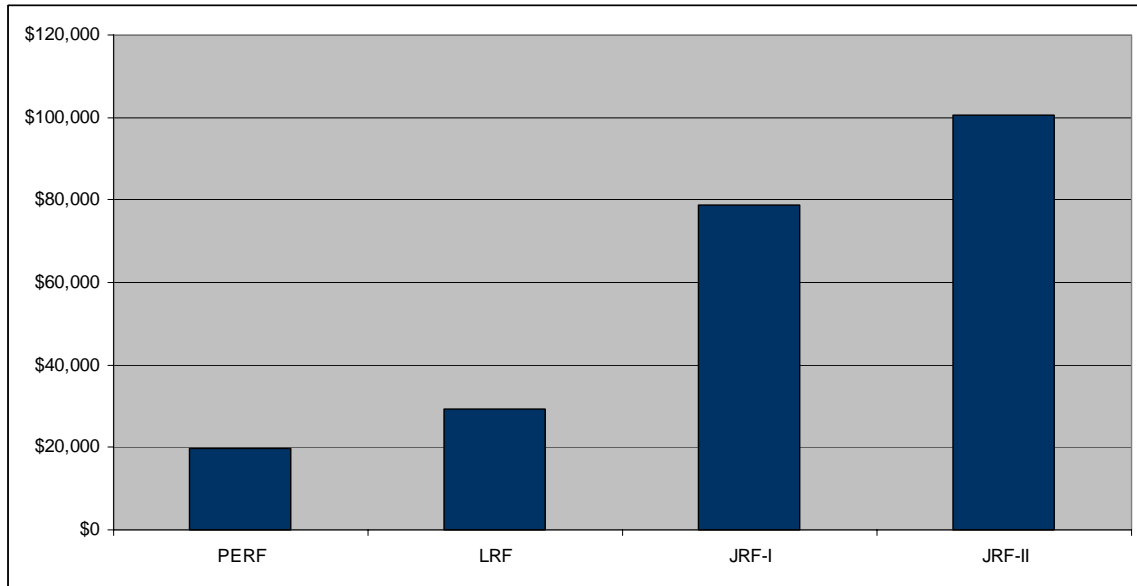


Table 2-7 and Chart 2-7 show data about all member contributions to CalPERS from FY 1995-96 through FY 2004-05. During this period, member contributions increased fairly steadily from approximately \$1.35 billion to a little over \$3.19 billion. It should be noted that, in many instances, the “member contribution” is paid, in part or even in full, by the employing government.

Employer contributions fluctuated greatly during this period. Starting at a little over \$1.91 billion, they went up for two more fiscal years, and then declined sharply from FY 1999-2000 to FY 2000-01, then increased rapidly in subsequent years to reach almost \$6 billion in FY 2004-05.

Table 2-7: Total Member and Employer Contribution

Fiscal Year	Member Contribution-Total	Employer Contribution-Total
1995-96	\$1,351,848,156	\$1,913,173,764
1996-97	\$1,393,081,243	\$2,048,302,715
1997-98	\$1,456,683,080	\$2,352,038,494
1998-99	\$1,536,629,863	\$1,706,254,387
1999-00	\$1,765,930,412	\$474,707,145
2000-01	\$1,781,863,504	\$455,822,541
2001-02	\$2,171,761,069	\$913,037,153
2002-03	\$1,905,774,139	\$2,074,495,318
2003-04	\$2,285,895,415	\$4,428,022,555
2004-05	\$3,195,434,230	\$5,964,010,835

Chart 2-7: Total Member and Employer Contribution

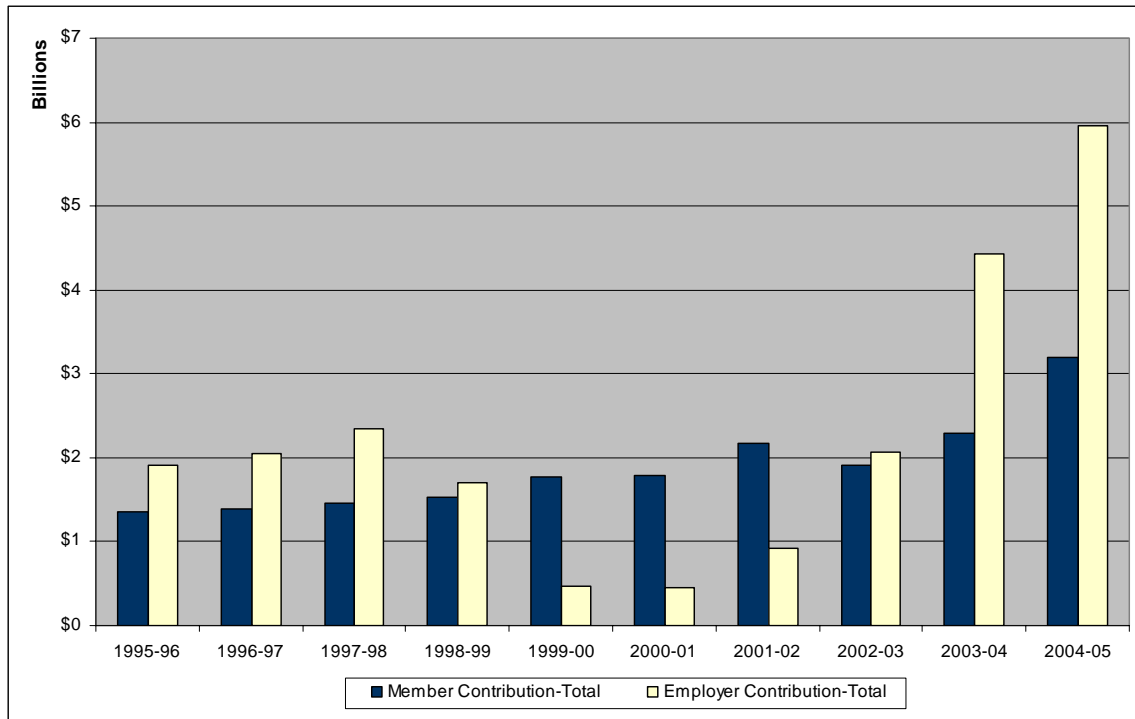


Table 2-8 and Chart 2-8 show data about the “funded ratio” of the PERF section of CalPERS. A retirement system is considered 100% funded if it has sufficient funds to meet all extant obligations. Obviously, a retirement system that is more than 100% funded is in relatively solid financial condition and requires relatively less cash inflow to meet future obligations, all else being equal. As a general rule of thumb, retirement systems with a funded ratio of greater than 90% are considered sound, but less than 80% warrants concern.

It should be kept in mind that this PERF data represents the combined status of all the state and local governments that are in the CalPERS system. Some governments will be better off, others worse. The overall trend is clear, however. When the stock market boomed in the 1990s, CalPERS’ investment portfolio fattened and the PERF funded ratio exceeded 100%. The combination of a stock market decline coupled with higher pension benefits and reduced contributions from member governments quickly reversed this situation in the new century, as is reflected by the decline in the PERF funded ration since FY 1998-99.

As of 2003-04, the number of governments in the CalPERS system that had funding ratios below 80% was approximately twice the number that had funding ratios about 100%.

Table 2-8: Funded Ratio - PERF

Fiscal Year	Funded Ratio-PERF
1994-95	95.60%
1995-96	97.30%
1996-97	110.90%
1997-98	120.50%
1998-99	128.40%
1999-00	119.50%
2000-01	111.90%
2001-02	95.20%
2002-03	87.70%
2003-04	87.30%

Chart 2-8: Funded Ratio - PERF

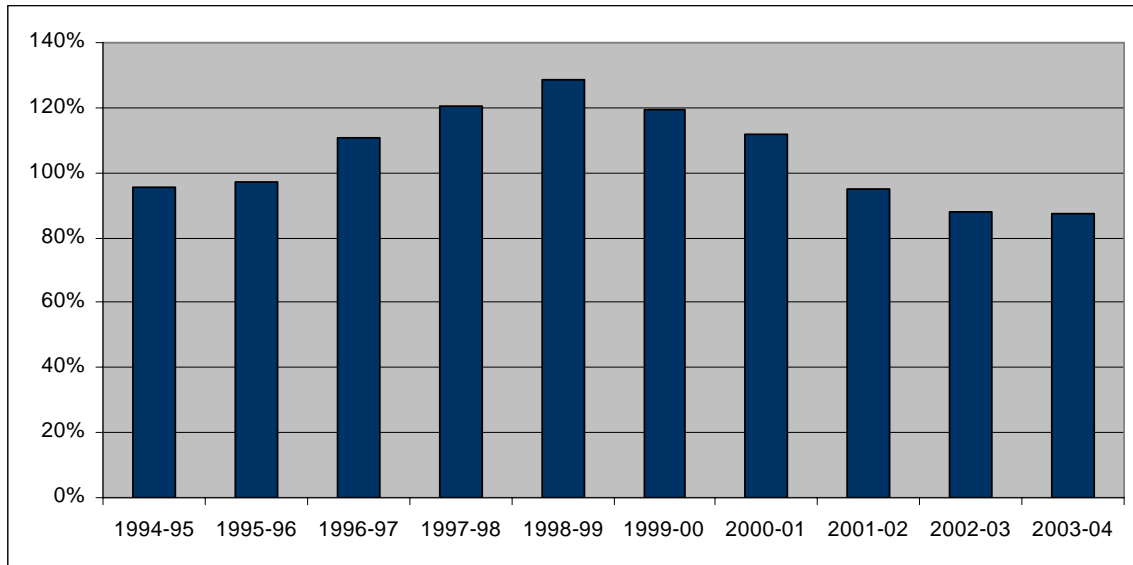


Table 2-9 and Chart 2-9 show data about the actuarially accrued surplus, and liability in the PERF CalPERS combined accounts from FY 1994-95 through FY 2003-04. For all the reasons listed in the previous analysis presented in Table 2-8 and Chart 2-8, the CalPERS PERF accounts were over \$32.8 billion above 100% funded as of FY 1998-99, but declined to over \$24.7 billion below the amount necessary to be 100% funded by FY 2003-04.

Table 2-9: Unfunded Actuarially Accrued Surplus and Liability - PERF

Fiscal Year	Unfunded Actuarially Accrued Surplus (Liability) - PERF
1994-95	-\$3,898,000,000
1995-96	-\$2,608,000,000
1996-97	\$10,641,000,000
1997-98	\$21,892,000,000
1998-99	\$32,857,000,000
1999-00	\$26,469,000,000
2000-01	\$17,705,000,000
2001-02	-\$7,894,000,000
2002-03	-\$22,326,000,000
2003-04	-\$24,710,000,000

Chart 2-9: Unfunded Actuarially Accrued Surplus and Liability - PERF

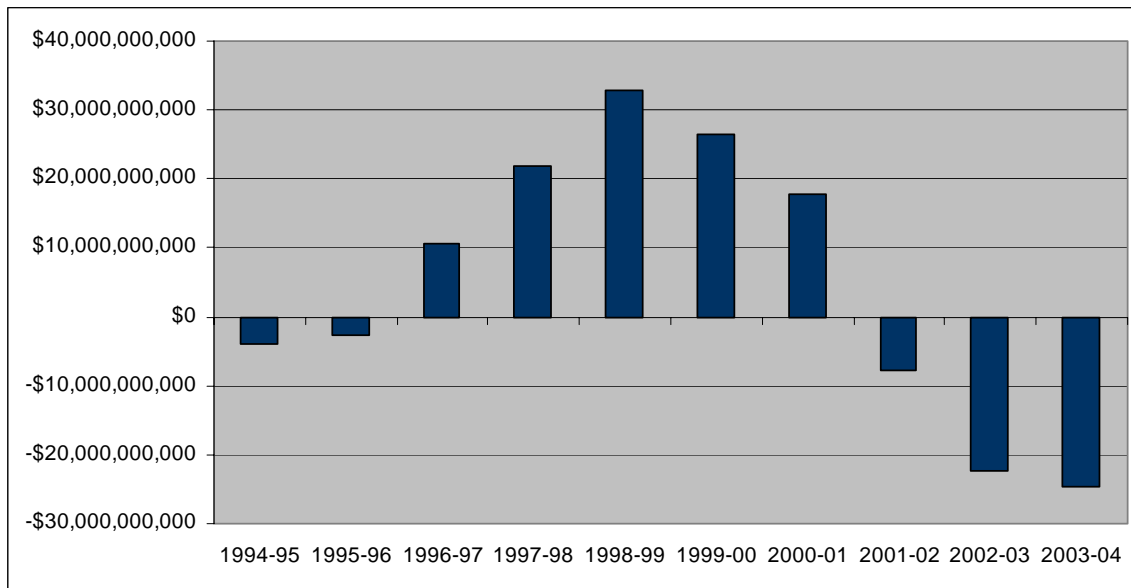


Table 2-10 and Chart 2-10 show member contributions and government agency contributions to the combined CalPERS PERF accounts from FY 1995-96 through FY 2004-05. Note that member contributions increased fairly steadily during this period, only dipping below the trend in FY 2002-03. It should be kept in mind that in many governments the “member contribution” is paid for the government, not the employee. Moreover, even in those instances when the government employees nominally pay their “member contributions” their salaries, including the “contribution,” are ultimately paid by the taxpayers.

While “member contributions” increased fairly steadily during this period, the total amounts paid by government agencies fluctuated by orders of magnitude—rising through FY 1997-98, then dropping precipitously by FY 2000-01, before exploding upward to over \$5.7 billion in FY 2004-05. Governments in this system clearly cut back on contributions when times were fat in the 1990s during the stock market boom, and the situation was complicated by the rapid increase in pension benefits that these same governments awarded to employees during this period. By FY 2003-04 the bill for these policy choices had started to come due and hence the explosion in employer contributions.

Table 2-10: Member and Employer Contributions PERF

Fiscal Year	Member Contributions-PERF	Employer Contributions--PERF
1995-96	\$1,338,044,978	\$1,850,103,438
1996-97	\$1,379,743,571	\$1,986,282,287
1997-98	\$1,443,232,566	\$2,289,526,403
1998-99	\$1,522,507,527	\$1,598,316,666
1999-00	\$1,751,290,172	\$362,614,344
2000-01	\$1,766,256,113	\$321,618,826
2001-02	\$2,154,742,532	\$800,964,553
2002-03	\$1,887,925,497	\$1,925,043,858
2003-04	\$2,266,445,429	\$4,261,347,422
2004-05	\$3,176,780,369	\$5,774,120,281

Chart 2-10: Member and Employer Contributions PERF

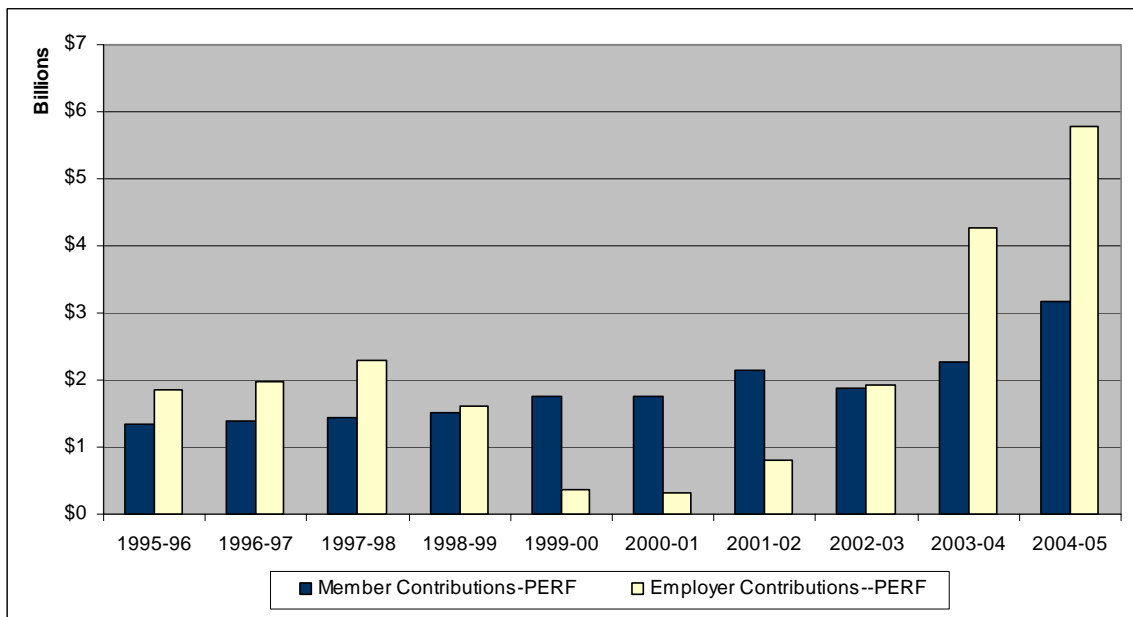


Table 2-11 and Chart 2-11 show member contributions and government agency contributions to the combined CalPERS PERF accounts from FY 1995-96 through FY 2004-05.

Table 2-11: Member and Employer Contribution LRF

Fiscal Year	Member Contribution-LRF	Employer Contribution-LRF
1995-96	\$422,381	\$575,032
1996-97	\$303,190	\$2,470,417
1997-98	\$312,546	\$674,777
1998-99	\$290,360	\$661,086
1999-00	\$178,860	\$339,351
2000-01	\$33,461	\$0
2001-02	\$14,161	\$0
2002-03	\$21,946	\$0
2003-04	\$55,639	\$0
2004-05	\$19,687	\$0

Chart 2-11: Member and Employer Contribution LRF

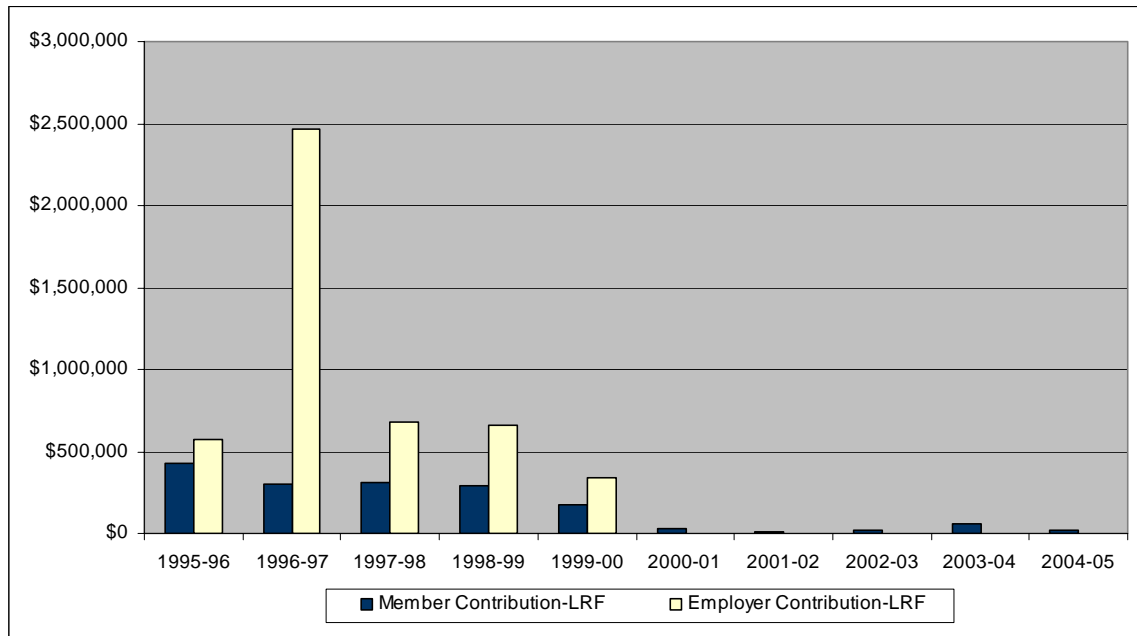


Table 2-12 and Chart 2-12 show member and employer contributions to the JRF-I. The JRF provides retirement benefits to California Supreme and Appellate Court Justices and Superior Court Judges, appointed or elected prior to November 9, 2004. Benefits from this fund are paid on a “pay-as-you-go” basis using short-term investments, contributions received during the year, and a State General Fund augmentation.

Table 2-12: Member and Employer Contribution JRF-I

Fiscal Year	Member Contribution-JRF-I	Employer Contribution-JRF-I
1995-96	\$12,754,764	\$60,933,334
1996-97	\$11,837,184	\$56,361,102
1997-98	\$11,189,380	\$56,215,389
1998-99	\$11,098,731	\$84,352,990
1999-00	\$11,251,836	\$74,079,308
2000-01	\$11,377,068	\$91,019,008
2001-02	\$11,713,777	\$65,319,883
2002-03	\$11,109,214	\$98,584,637
2003-04	\$11,262,935	\$107,317,942
2004-05	\$10,417,159	\$127,077,837

Chart 2-12: Member and Employer Contribution JRF-I

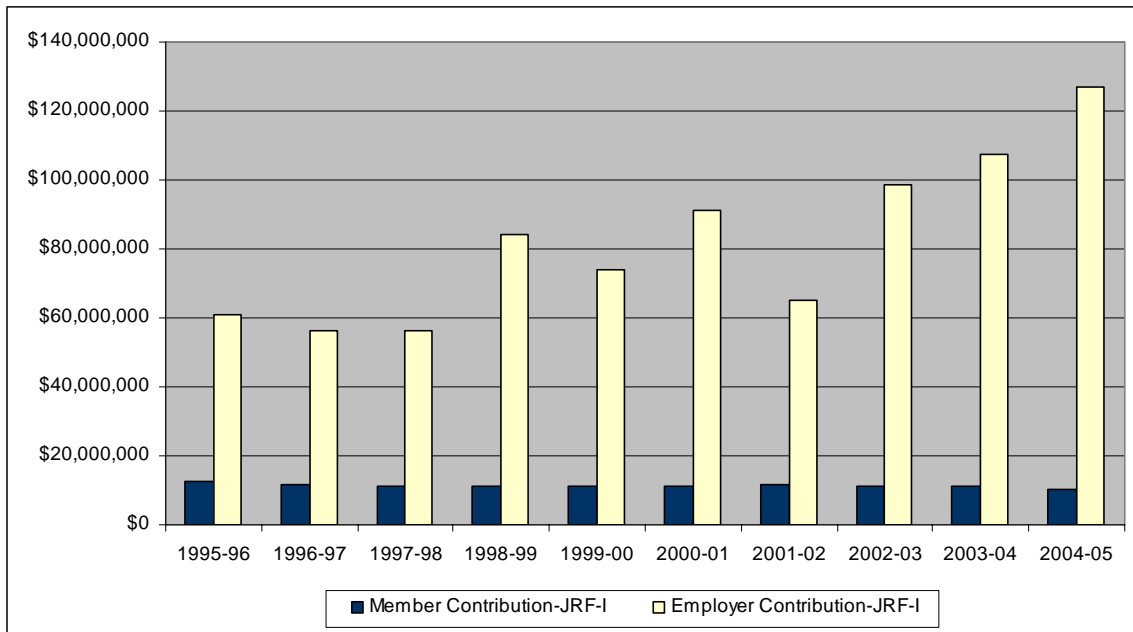


Table and Chart 2-13 show member and employer contributions to JRF-II. The JRF II provides retirement benefits to California Supreme and Appellate Court Justices, Superior Court Judges, and Municipal Court Judges first appointed or elected after November 9, 1994.

Table 2-13: Member and Employer Contribution JRF-II

Fiscal Year	Member Contribution-JRF II	Employer Contribution-JRF II
1995-96	\$626,033	\$1,507,116
1996-97	\$1,197,298	\$3,026,029
1997-98	\$1,948,588	\$5,455,217
1998-99	\$2,733,245	\$7,354,353
1999-00	\$3,209,544	\$7,460,518
2000-01	\$4,196,862	\$9,754,298
2001-02	\$5,290,599	\$12,487,052
2002-03	\$6,717,482	\$15,322,632
2003-04	\$8,131,412	\$18,239,777
2004-05	\$8,217,015	\$21,195,508

Chart 2-13: Member and Employer Contribution JRF-II

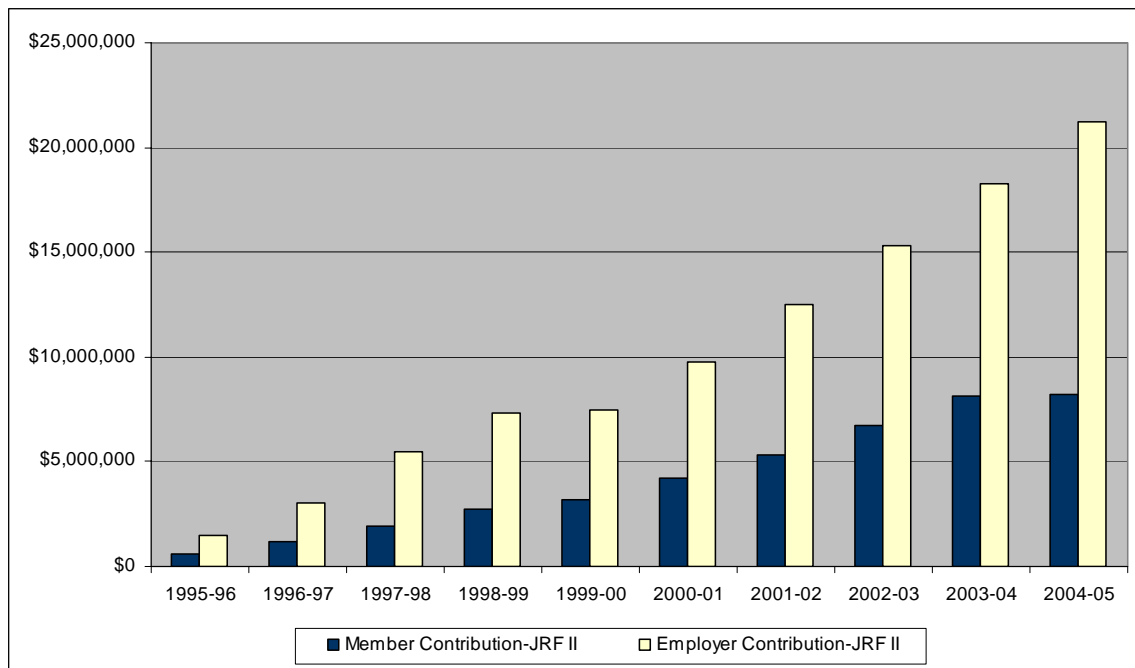
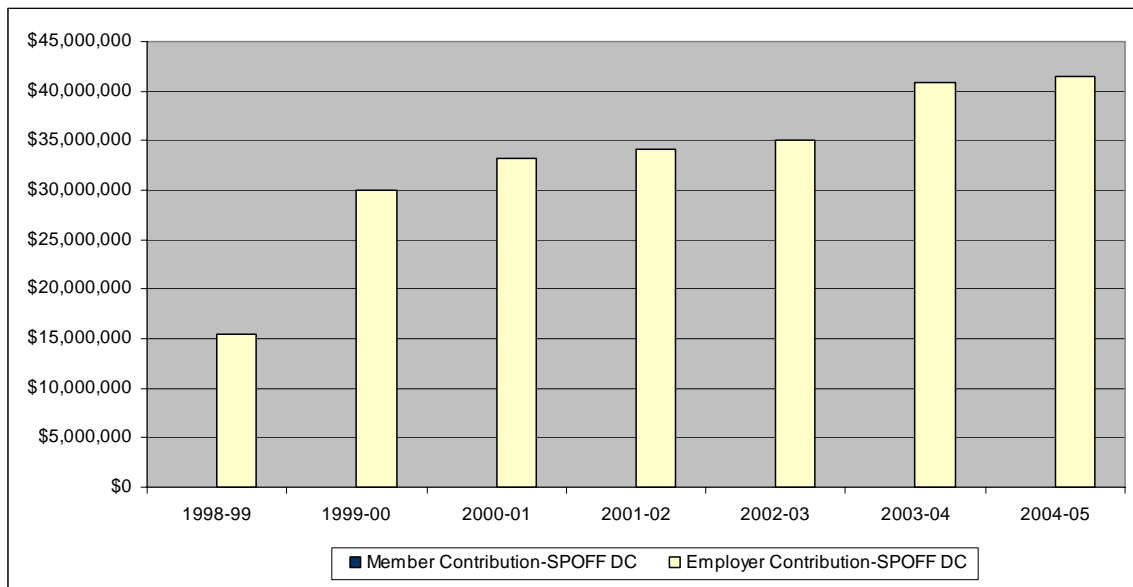


Table and Chart 2-14 show member and employer contributions to the SPOFF. The SPOFF provides supplemental retirement benefits to eligible safety employees.

Table 2-14: Member and Employer Contribution – SPOFF DC

Fiscal Year	Member Contribution-SPOFF DC	Employer Contribution-SPOFF DC
1998-99	\$0	\$15,518,376
1999-00	\$0	\$30,011,229
2000-01	\$0	\$33,236,879
2001-02	\$0	\$34,171,776
2002-03	\$0	\$35,047,115
2003-04	\$0	\$40,894,189
2004-05	\$0	\$41,406,166

Chart 2-14: Member and Employer Contribution – SPOFF DC



Section 3: CalSTRS

Table 3-1 and Chart 3-1 show the funded ratio for CalSTRS from 1998 through 2005. The funded ratio for CalSTRS declined substantially during this period, and reached a low of 82% in 2003. It increased slightly to 86% in 2005.

Table 3-1: CalSTRS Funded Ratio

Fiscal Year	Funded Ratio
1998-99	104%
1999-00	104%
2000-01	110%
2001-02	98%
2002-03	82%
2003-04	83%
2004-05	86%

Fiscal Year	Funded Ratio
1998-99	104%
1999-00	104%
2000-01	110%
2001-02	98%
2002-03	82%
2003-04	83%
2004-05	86%

Chart 3-1: CalSTRS Funded Ratio

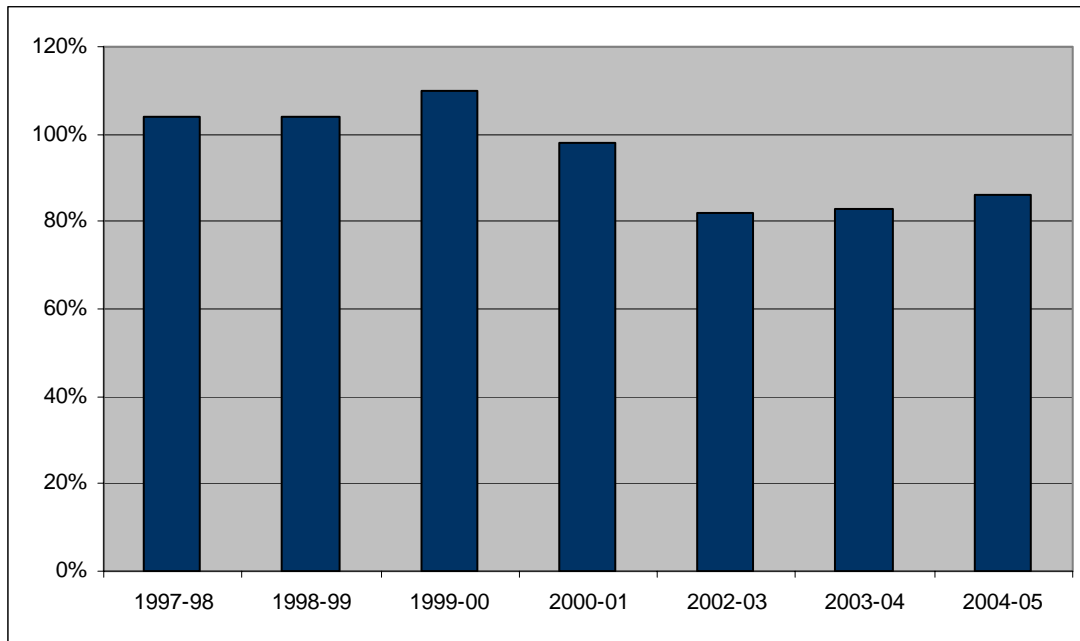


Table 3-2 and Chart 3-2 show data about the unfunded actuarially accrued surplus or liability of CalSTRS from 1998 through 2005. CalSTRS had a positive surplus until 2000, and then dropped sharply into liability in subsequent years.

Table 3-2: CalSTRS Unfunded Actuarially Accrued Surplus (Liability)

Fiscal Year	Unfunded Actuarially Accrued Surplus (Liability)
1998-99	\$3,056,000,000
1999-00	\$3,652,000,000
2000-01	\$9,101,000,000
2001-02	-\$2,227,000,000
2002-03	-\$23,110,000,000
2003-04	-\$24,160,000,000
2004-05	-\$20,311,000,000

Chart 3-2: CalSTRS Unfunded Actuarially Accrued Surplus (Liability)

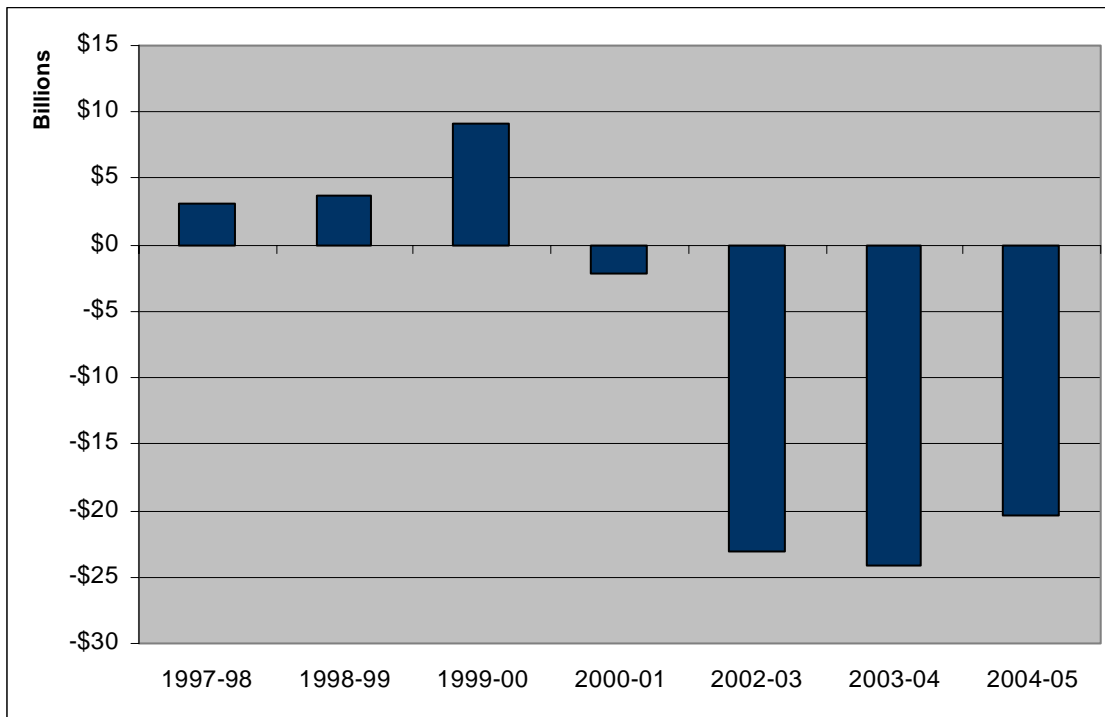


Table 3-3 and Chart 3-3 show data about CalSTRS sources of revenue from 1995 through 2004. During this time member contributions increased somewhat while employer contributions increased more rapidly. It should be kept in mind, however, that in many CalSTRS member agencies the employer pays for at least part and often all of the “member contribution.” The state of California’s contribution to the system has fluctuated over the years, as shown in the far right column.

Table 3-3: CalSTRS Sources of Revenue

Fiscal Year	Member Contributions	Employer Contributions	State of California
1994-95	\$1,027,400,000	\$1,010,100,000	\$733,100,000
1995-96	\$1,089,000,000	\$1,140,800,000	\$754,800,000
1996-97	\$1,195,800,000	\$1,250,000,000	\$872,400,000
1997-98	\$1,302,800,000	\$1,371,400,000	\$1,004,600,000
1998-99	\$1,423,100,000	\$1,474,600,000	\$350,100,000
1999-00	\$1,529,800,000	\$1,587,700,000	\$939,200,000
2000-01	\$1,630,400,000	\$1,880,900,000	\$946,200,000
2001-02	\$1,381,900,000	\$1,721,400,000	\$915,800,000
2002-03	\$1,557,900,000	\$1,892,100,000	\$1,015,000,000
2003-04	\$1,640,700,000	\$1,918,300,000	\$548,700,000

Chart 3-3: CalSTRS Sources of Revenue

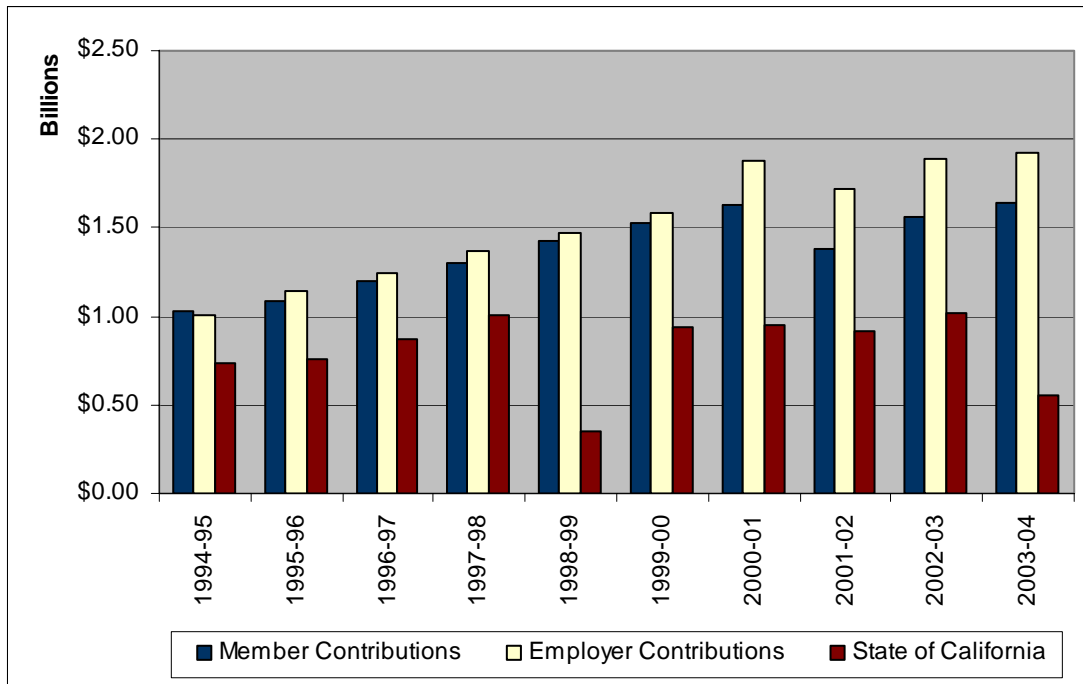


Table 3-4 and Chart 3-4 show total benefit payments to CalSTRS system retirees from 1995 through 2004. As is shown in the table, these benefit payments more than doubled during this period.

Table 3-4: CalSTRS Total Benefit Payments

Fiscal Year	Total Benefit Payments
1994-95	\$2,567,700,000
1995-96	\$2,749,700,000
1996-97	\$2,912,300,000
1997-98	\$3,103,200,000
1998-99	\$3,343,100,000
1999-00	\$3,625,700,000
2000-01	\$3,954,000,000
2001-02	\$4,496,000,000
2002-03	\$4,933,500,000
2003-04	\$5,503,000,000

Chart 3-4: CalSTRS Total Benefit Payments

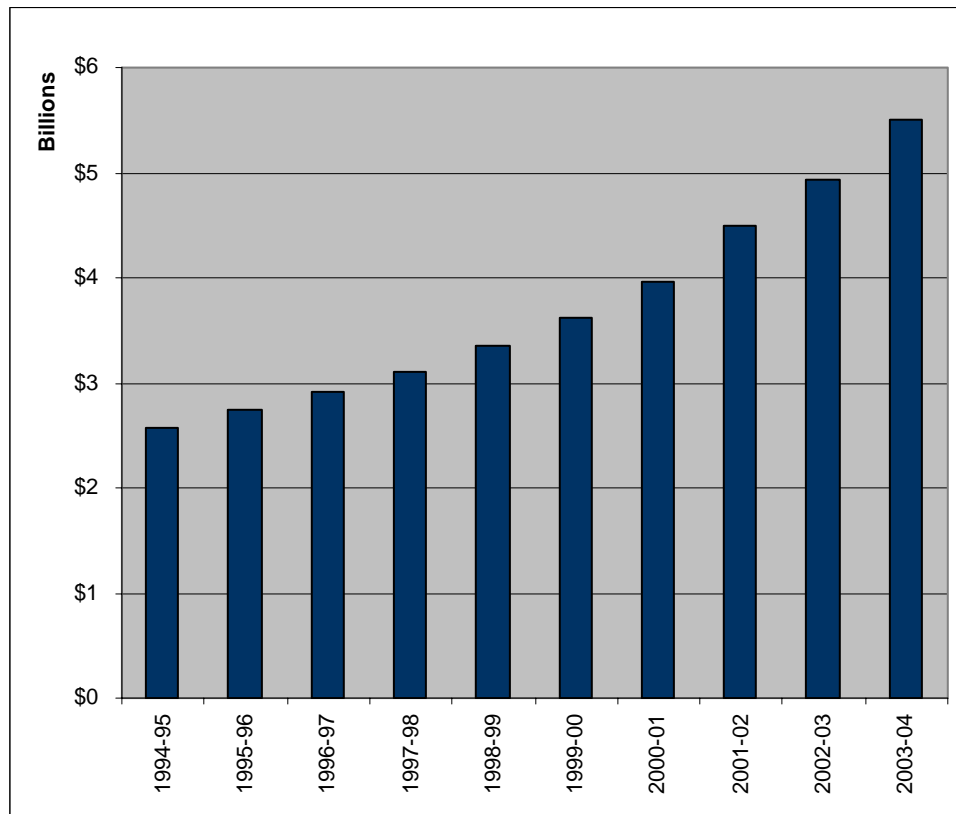


Table 3-5 and Chart 3-5 show data about CalSTRS benefit recipients by category of recipient. Service retirees (that is, retired employees) are by far the largest category. The number of disability recipients, while comparatively small, has increased more rapidly, however. An even more rapid increase has occurred in the number of benefit survivors (that is, dependent relatives of deceased retirees). This latter category has increased over 55% from 1995 to 2004.

Table 3-5: CalSTRS Benefit Recipients by Type

Fiscal Year	Service Retirees	Disability Recipients	Benefit Survivors	Total Recipients
1994-95	130,576	5,331	10,898	146,805
1995-96	133,764	5,540	11,501	150,805
1996-97	135,809	5,676	12,154	153,639
1997-98	139,193	5,758	12,796	157,747
1998-99	142,309	5,822	13,326	161,457
1999-00	145,415	5,885	13,982	165,282
2000-01	149,727	6,477	14,768	170,972
2001-02	154,884	6,723	15,465	177,072
2002-03	159,172	6,949	15,747	181,868
2003-04	169,022	7,311	16,912	193,245
Percent Change	29.4%	37.1%	55.2%	31.6%

Chart 3-5: CalSTRS Benefit Recipients by Type

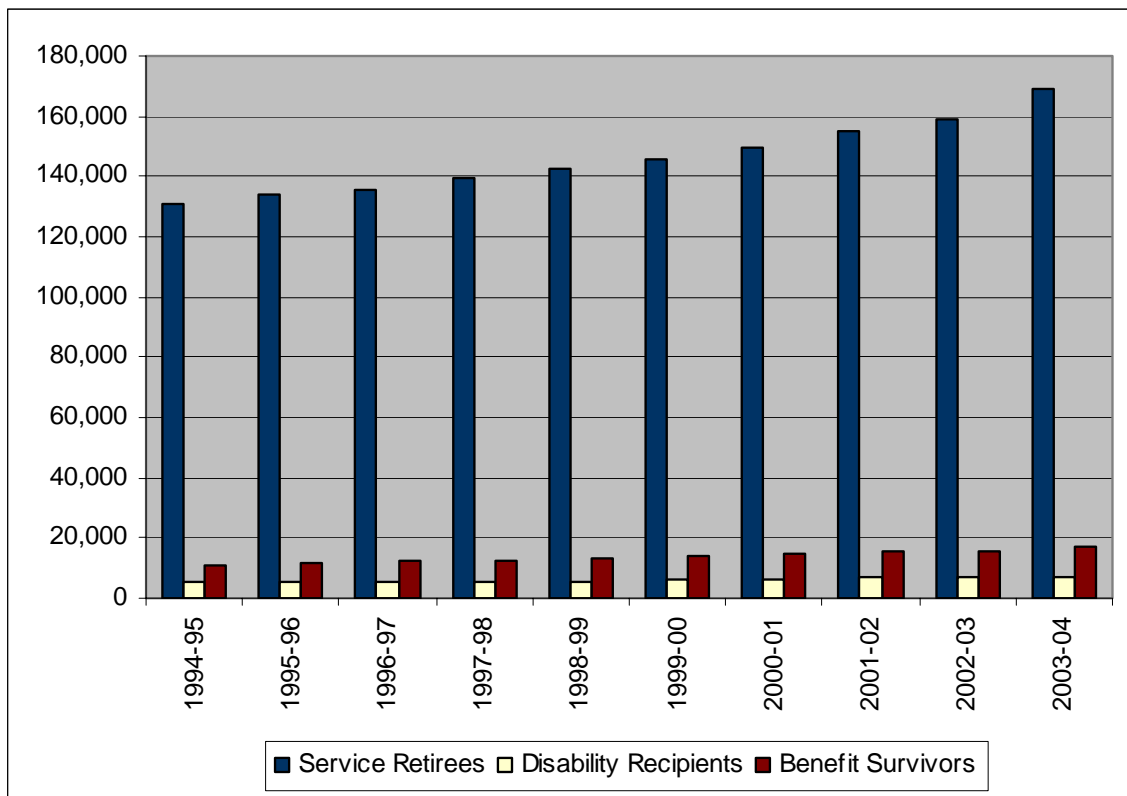


Table 3-6 and Chart 3-6 show the number of CalSTRS active and inactive members for the three years listed. Note that the number of active members has remained fairly constant, while the number of inactive members has increased fairly steadily. This reflects the fact that there are always a number of people who start teaching careers and then opt for other pursuits.

Table 3-6: CalSTRS Active & Inactive Members

Fiscal Year	Active Members	Inactive Members
2001-02	442,208	96,159
2002-03	448,478	104,617
2003-04	444,680	116,128

Chart 3-6: CalSTRS Active & Inactive Members

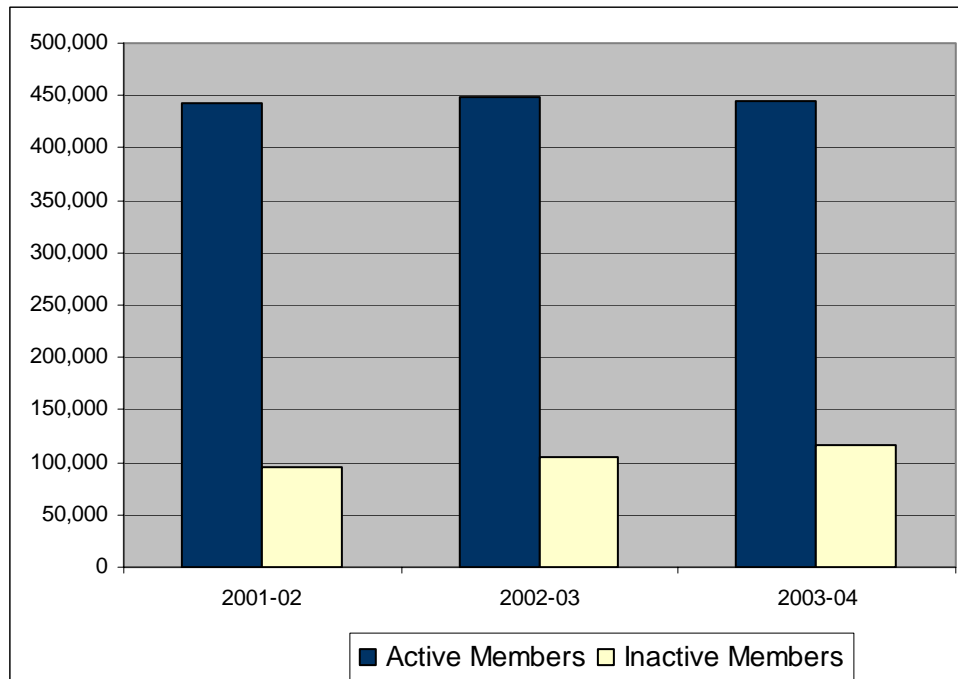


Table 3-7 and Chart 3-7 show the average unmodified benefit for service retirees and California per capita income from 1999 through 2004. During this period the benefit increased a little over 41%, to \$45,804 per year. California per capita income increased 18% during this same period.

Table 3-7: Average Unmodified Benefit for Service Retirees vs. Statewide Per Capita Income

Fiscal Year	Average Annual Unmodified Benefit for Service Retirees	CA Per Capita Income
1998-99	\$32,472	\$29,828
1999-00	\$34,464	\$32,463
2000-01	\$42,288	\$32,882
2001-02	\$46,428	\$32,803
2002-03	\$46,548	\$33,400
2003-04	\$45,804	\$35,219
Percent Change	41.1%	18.1%

Chart 3-7: Average Unmodified Benefit for Service Retirees vs. Statewide Per Capita Income

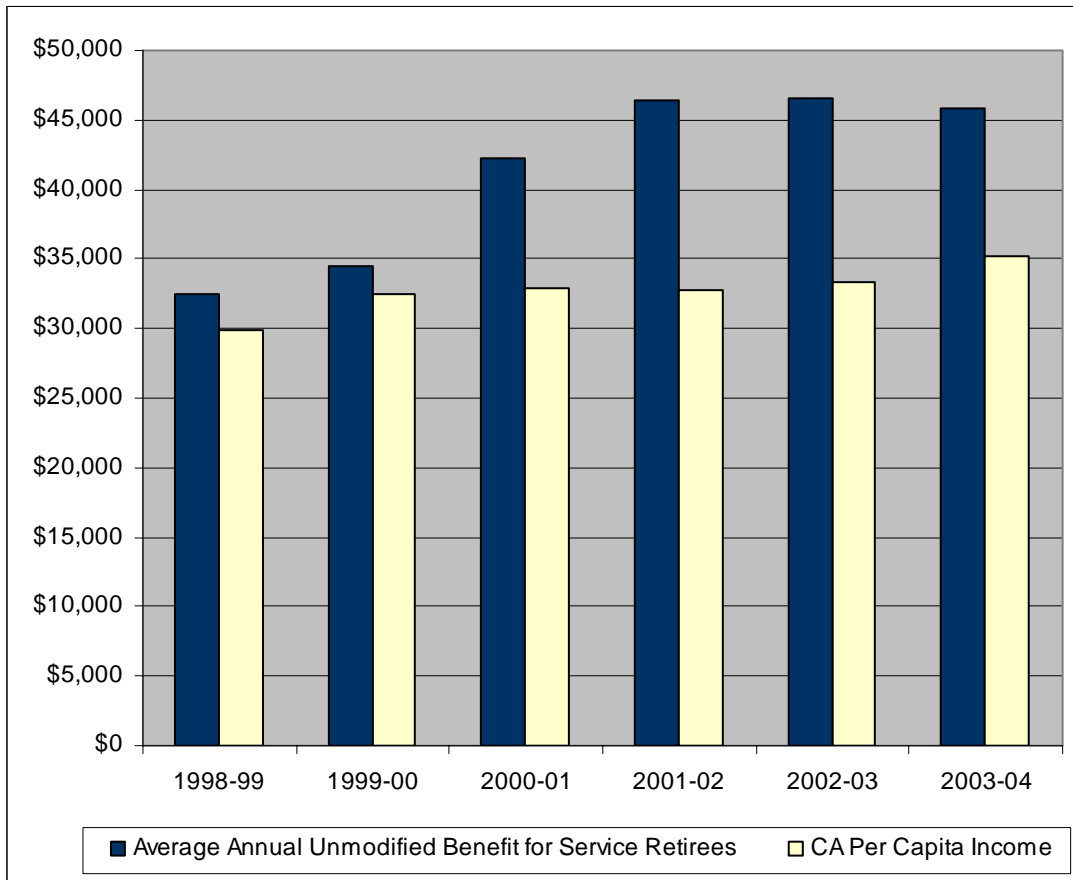


Table 3-8 shows the projected contributions for CalSTRS from employers (i.e., school districts and the state) from 2006 through 2035. Over this period, total contributions from the school districts and the state are projected to increase a little over 233% (233.6%). The total cumulative projected contribution over this time period is approximately \$147.5 billion.

Table 3-8: Projected Contributions to CalSTRS

Fiscal Year	Employer Contributions	State Contributions	Total Employer & State Contributions
2005-06	\$2,060,000,000	\$469,000,000	\$2,529,000,000
2006-07	\$2,147,000,000	\$481,000,000	\$2,628,000,000
2007-08	\$2,239,000,000	\$504,000,000	\$2,743,000,000
2008-09	\$2,334,000,000	\$525,000,000	\$2,859,000,000
2009-10	\$2,433,000,000	\$547,000,000	\$2,980,000,000
2010-11	\$2,537,000,000	\$571,000,000	\$3,108,000,000
2011-12	\$2,644,000,000	\$595,000,000	\$3,239,000,000
2012-13	\$2,757,000,000	\$620,000,000	\$3,377,000,000
2013-14	\$2,874,000,000	\$646,000,000	\$3,520,000,000
2014-15	\$2,996,000,000	\$674,000,000	\$3,670,000,000
2015-16	\$3,123,000,000	\$703,000,000	\$3,826,000,000
2016-17	\$3,256,000,000	\$732,000,000	\$3,988,000,000
2017-18	\$3,394,000,000	\$764,000,000	\$4,158,000,000
2018-19	\$3,539,000,000	\$796,000,000	\$4,335,000,000
2019-20	\$3,689,000,000	\$830,000,000	\$4,519,000,000
2020-21	\$3,846,000,000	\$865,000,000	\$4,711,000,000
2021-22	\$4,009,000,000	\$902,000,000	\$4,911,000,000
2022-23	\$4,180,000,000	\$940,000,000	\$5,120,000,000
2023-24	\$4,357,000,000	\$980,000,000	\$5,337,000,000
2024-25	\$4,543,000,000	\$1,022,000,000	\$5,565,000,000
2025-26	\$4,736,000,000	\$1,065,000,000	\$5,801,000,000
2026-27	\$4,937,000,000	\$1,111,000,000	\$6,048,000,000
2027-28	\$5,147,000,000	\$1,158,000,000	\$6,305,000,000
2028-29	\$5,365,000,000	\$1,207,000,000	\$6,572,000,000
2029-30	\$5,593,000,000	\$1,258,000,000	\$6,851,000,000
2030-31	\$5,831,000,000	\$1,312,000,000	\$7,143,000,000
2031-32	\$6,079,000,000	\$1,368,000,000	\$7,447,000,000
2032-33	\$6,337,000,000	\$1,426,000,000	\$7,763,000,000
2033-34	\$6,607,000,000	\$1,486,000,000	\$8,093,000,000
2034-35	\$6,888,000,000	\$1,549,000,000	\$8,437,000,000
Total	\$120,477,000,000	\$27,106,000,000	\$147,583,000,000
Percent Change	234.37%	230.28%	233.61%

Section 4: Other Large and Notable Public Employee Retirement Systems in California

Section 4 provides a detailed analysis of the following public employee retirement systems:

- Los Angeles County Employees Retirement Association (LACERA)
- Los Angeles City Employees' Retirement System (LACERS)
- Los Angeles Department of Water & Power Retirement Systems (LADWPRS)
- Los Angeles Fire and Police Pension System including the Deferred Retirement Option Plan (DROP)
- Orange County Employees Retirement Association (OCERS)
- San Diego Employees Retirement Association. (SDCERA)

Table 4-1 and Chart 4-1 show the funded ratio for the Los Angeles County Employee Retirement Association.

Table 4-1: LACERA Funded Ratio, 1998-99 to 2003-04

Fiscal Year	Funded Ratio
1998-99	103.3%
1999-00	102.9%
2000-01	100.0%
2001-02	99.4%
2002-03	87.2%
2003-04	82.8%

Chart 4-1: LACERA Funded Ratio, 1998-99 to 2003-04

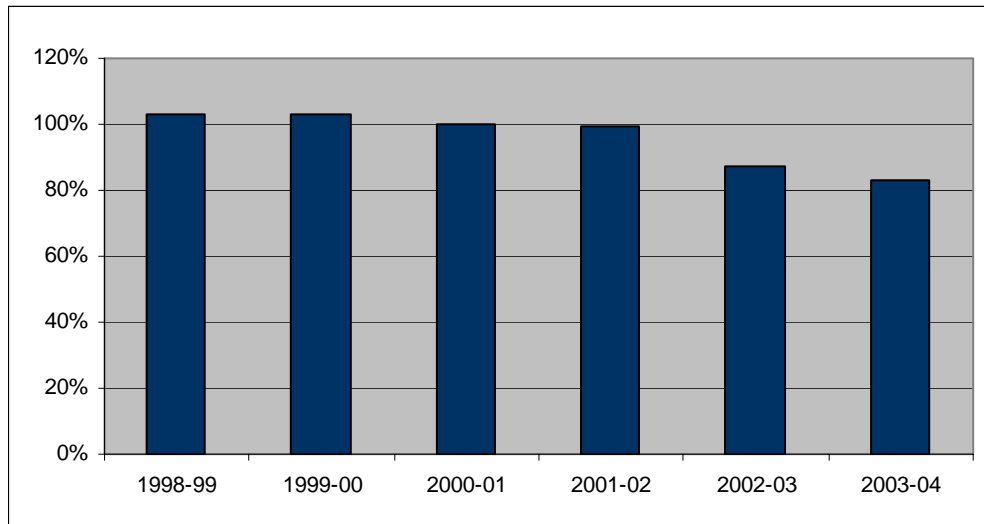


Table 4-2 and Chart 4-2 show the actuarially accrued surplus/(unfunded liability) for the Los Angeles County Employee Retirement Association from the ten year period from 1994-95 to 2004-05.

Table 4-2: LACERA Actuarially Accrued Surplus/(Unfunded Liability), 1995-96 to 2004-05

Fiscal Year	Actuarially Accrued Surplus/(Liability)
1995-96	\$400,000,000
1996-97	\$300,000,000
1997-98	-\$100,000,000
1998-99	\$700,000,000
1999-00	\$700,000,000
2000-01	\$0
2001-02	-\$175,000,000
2002-03	-\$3,910,000,000
2003-04	-\$5,611,000,000
2004-05	-\$4,878,000,000

Chart 4-2: LACERA Actuarially Accrued Surplus/ (Unfunded Liability), 1995-96 to 2004-05

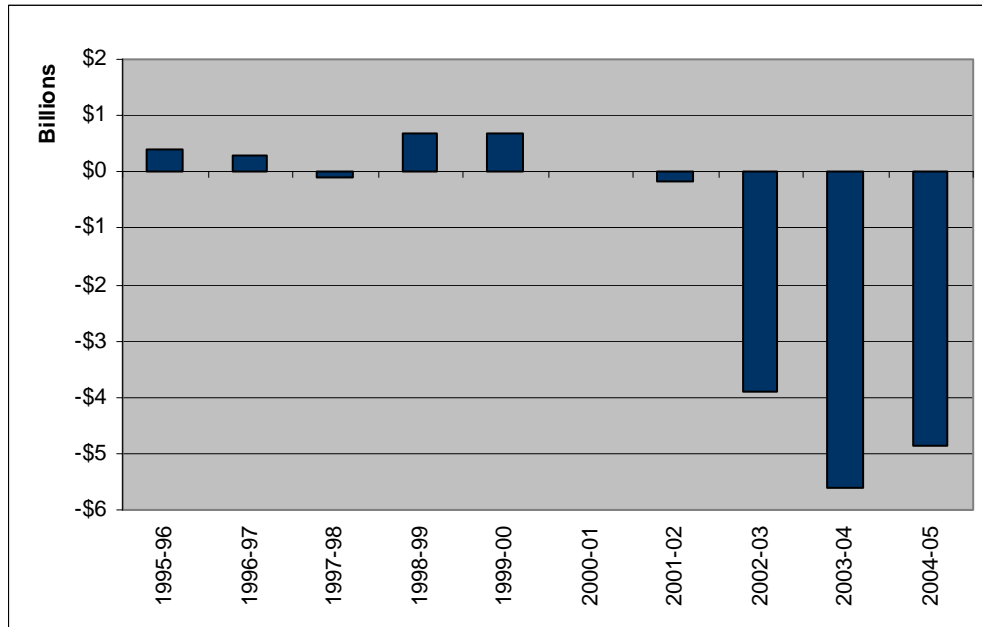


Table 4-3 and Chart 4-3 show the employer and employee contributions to the Los Angeles County Employee Retirement Association from the nine year period 1995-96 to 2004-05.

Table 4-3: Contributions to LACERA, 1995-96 to 2004-05

Fiscal Year	Employer Contributions	Member Contributions
1995-96	\$132,451,000	\$183,260,000
1996-97	\$1,168,000	\$171,014,000
1997-98	\$9,420,000	\$179,476,000
1998-99	\$85,576,000	\$202,062,000
1999-00	\$130,319,000	\$198,618,000
2000-01	\$193,650,000	\$216,297,000
2001-02	\$297,928,000	\$265,573,000
2002-03	\$325,524,000	\$233,192,000
2003-04	\$295,109,000	\$262,699,000
2004-05	\$527,810,000	\$286,096,000

Chart 4-3: Contributions to LACERA, 1995-96 to 2004-05

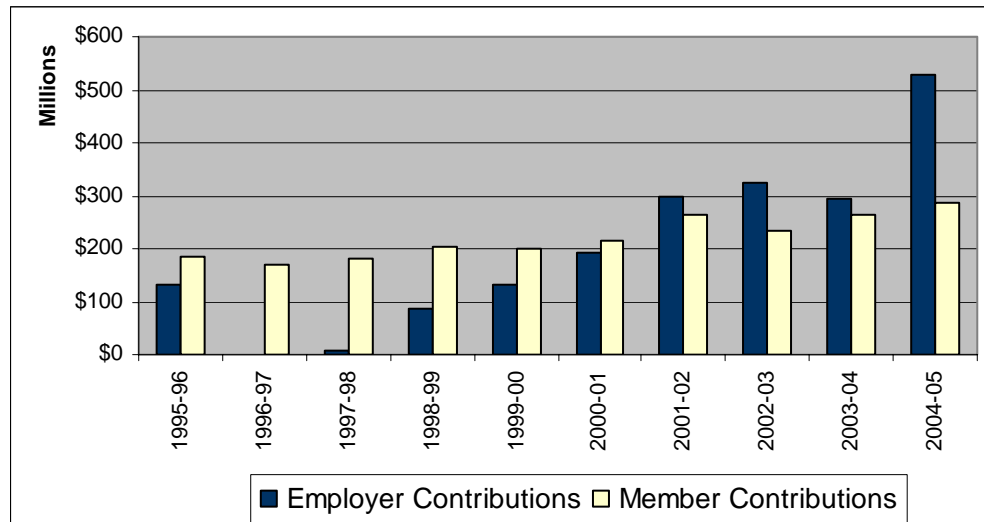


Table 4-4 and Chart 4-4 show the total benefit payments made by the Los Angeles County Employee Retirement Association from the nine year period 1995-96 to 2004-05.

Table 4-4: Benefit Payments Made by LACERA, 1995-96 to 2004-05

Fiscal Year	Total Benefit Expenses
1995-96	\$837,389,000
1996-97	\$887,107,000
1997-98	\$943,595,000
1998-99	\$998,181,000
1999-00	\$1,065,265,000
2000-01	\$1,155,670,000
2001-02	\$1,240,371,000
2002-03	\$1,339,202,000
2003-04	\$1,447,511,000
2004-05	\$1,562,363,000

Chart 4-4: Benefit Payments Made by LACERA, 1995-96 to 2004-05

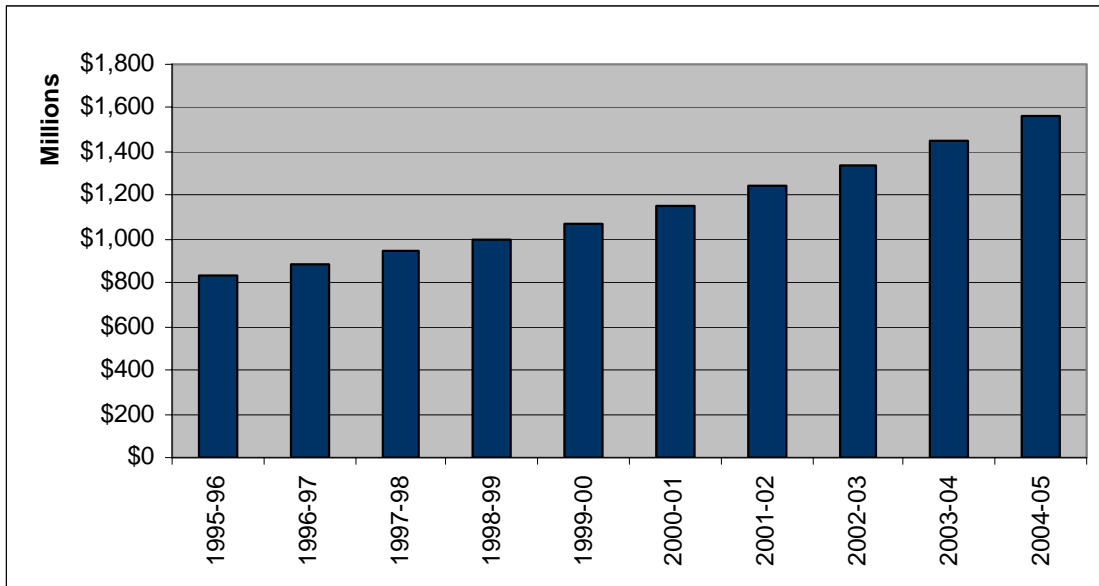


Table 4-5 and Chart 4-5 show the average benefit payment made to the average LACERA retiree for the nine year period 1995-96 to 2004-05. The table also shows the per capita income for the average Los Angeles County citizen for the same period. The per capita income for 2004-05 is projected based on an average rate of growth for the previous eight years.

Table 4-5: Average Benefit Payment to LACERA Retirees vs.
LA County per Capita Income, 1995-96 to 2004-05

Fiscal Year	General	Safety	LA County Per Capita Income
1995-96	\$17,861	\$30,461	\$24,408
1996-97	\$18,720	\$31,184	\$25,239
1997-98	\$19,381	\$32,199	\$27,220
1998-99	\$20,038	\$34,135	\$27,973
1999-00	\$20,685	\$36,081	\$29,232
2000-01	\$21,957	\$38,729	\$30,503
2001-02	\$23,087	\$41,083	\$30,828
2002-03	\$23,964	\$45,075	\$31,452
2003-04	\$25,211	\$47,782	\$33,179
2004-05	\$26,429	\$50,047	\$34,669
Percent Change	41.2%	56.9%	42.0%

Chart 4-5: Average Benefit Payment to LACERA Retirees vs.
LA County Per Capita Income, 1995-96 to 2004-05

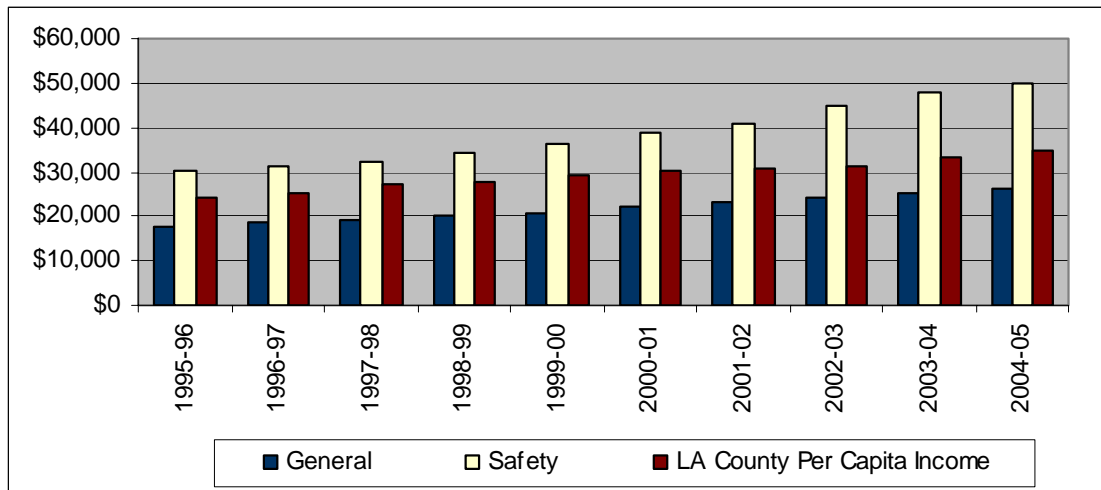


Table 4-6 and Chart 4-6 show the funded ratio for the Los Angeles City Employee Retirement System (LACERS) from 1999-00 to 2004-05.

Table 4-6: Funded Ratio for LACERS, 1999-00 to 2004-05

Fiscal Year	Funded Ratio
1999-00	109.10%
2000-01	108.10%
2001-02	97.40%
2002-03	91.40%
2003-04	82.50%
2004-05	77.20%

Chart 4-6: Funded Ratio for LACERS, 1999-00 to 2004-05

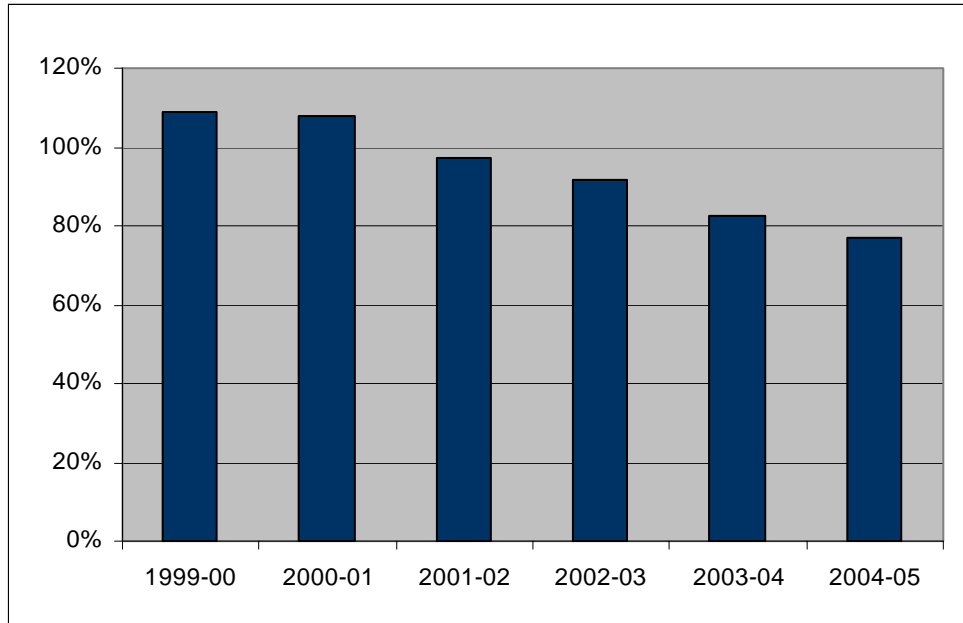


Table 4-7 and Chart 4-7 show the actuarial surplus/(unfunded liability) for the Los Angeles City Employee Retirement System (LACERS) from 1999-00 to 2004-05.

Table 4-7: Actuarially Accrued Surplus/(Unfunded Liability)
for LACERS, 1999-00 to 2004-05

Fiscal Year	Actuarial Surplus/Unfunded Liability
1999-00	\$548,434,000
2000-01	\$520,716,000
2001-02	-\$191,930,000
2002-03	-\$660,199,000
2003-04	-\$1,491,756,000
2004-05	-\$2,128,383,000

Chart 4-7: Actuarially Accrued Surplus/(Unfunded Liability)
for LACERS, 1999-00 to 2004-05

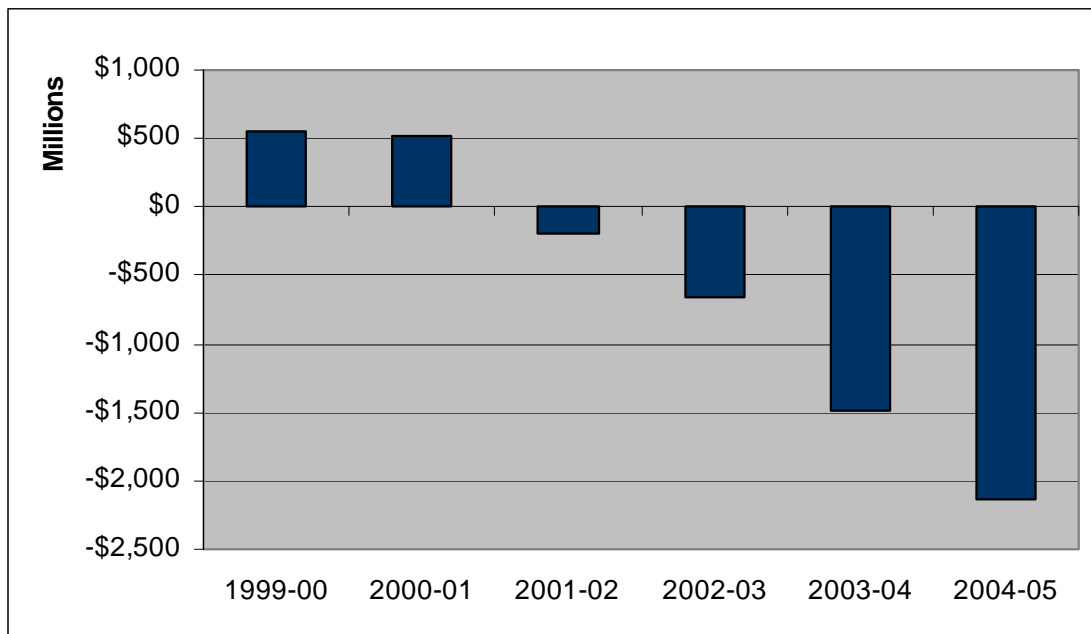


Table 4-8 and Chart 4-8 show the annual required contribution for LACERS from 1999-00 to 2004-05, as well as the percent actually contributed by the City of Los Angeles. As is apparent, during 2003-04 and 2004-05 the required contribution has spiked, and as a result the City has not made the full contribution.

Table 4-8: Annual Required Contribution for LACERS
and Percent Contributed, 1999-00 to 2004-05

Fiscal Year	Annual Required Contribution	% Contributed
1999-00	\$72,146,000	100.00%
2000-01	\$59,153,000	100.00%
2001-02	\$32,296,000	100.00%
2002-03	\$51,604,000	100.00%
2003-04	\$159,083,000	63.00%
2004-05	\$183,241,000	86.00%

Chart 4-8: Annual Required Contribution for LACERS
and Percent Contributed, 1999-00 to 2004-05

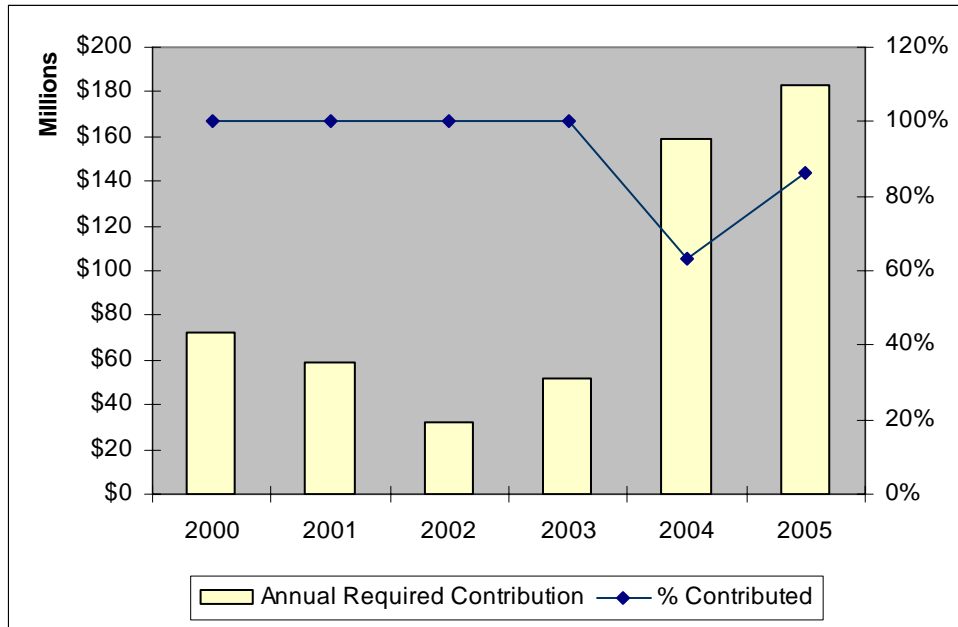


Table 4-9 and Chart 4-9 show the actual contributions, both employee and employer, to LACERS from 1999-00 to 2004-05.

Table 4-9: Employee and Employer Contribution to LACERS, 1999-00 to 2004-05

Fiscal Year	Member Contributions	Employer Contributions
1999-00	\$64,580,000	\$106,610,000
2000-01	\$69,460,000	\$87,900,000
2001-02	\$75,660,000	\$79,470,000
2002-03	\$83,070,000	\$97,530,000
2003-04	\$93,420,000	\$140,200,000
2004-05	\$94,270,000	\$229,140,000

Chart 4-9: Employee and Employer Contribution to LACERS, 1999-00 to 2004-05

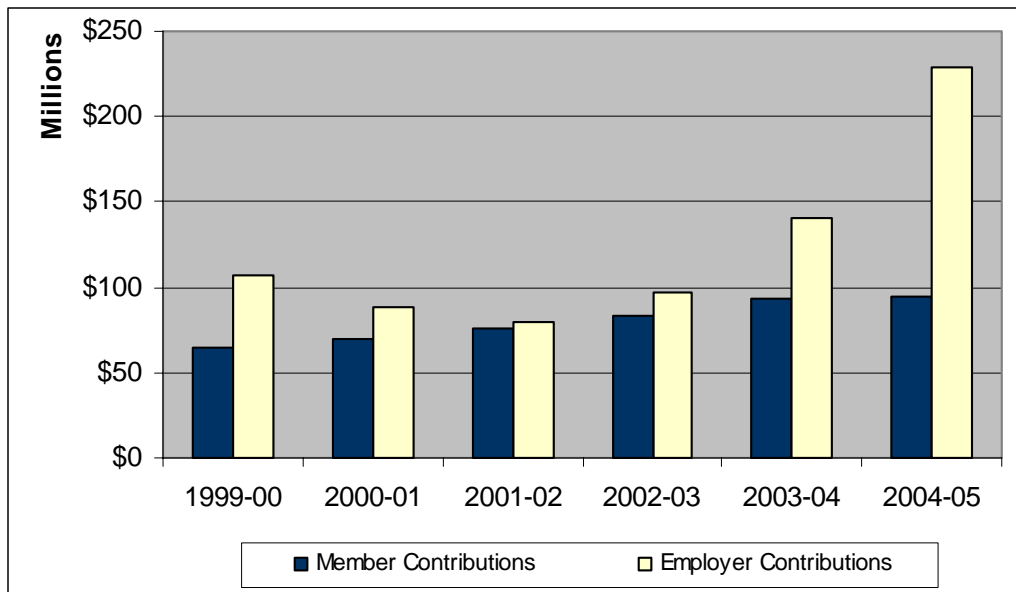


Table 4-10 and Chart 4-10 show the total benefit payments made by LACERS from 1999-00 to 2004-05.

Table 4-10: Total Benefit Payments to LACERS Retirees, 1999-00 to 2004-05

Fiscal Year	Total Benefit Payments
1999-00	\$319,380,000
2000-01	\$343,110,000
2001-02	\$374,820,000
2002-03	\$408,980,000
2003-04	\$438,530,000
2004-05	\$469,210,000

Chart 4-10: Total Benefit Payments to LACERS Retirees, 1999-00 to 2004-05

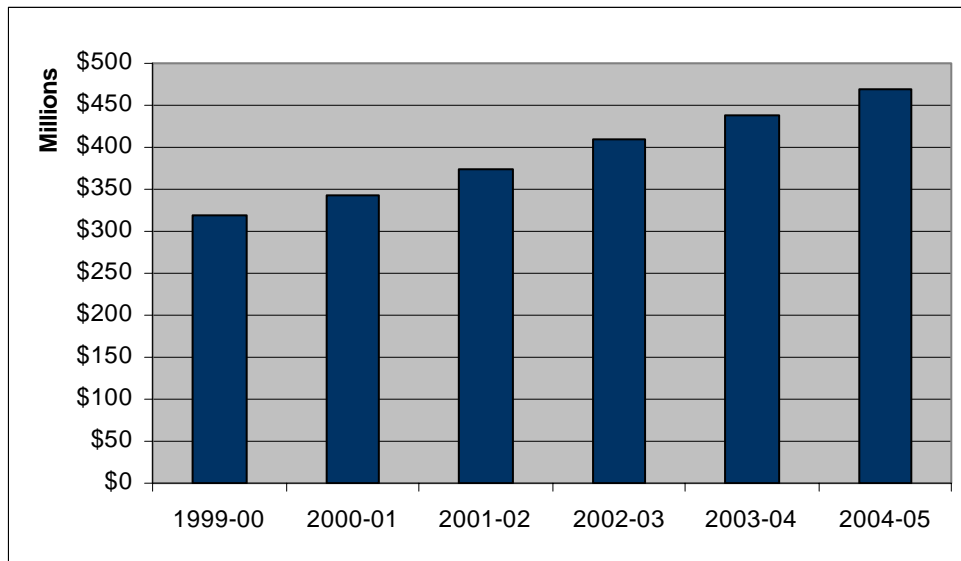


Table 4-11 and Chart 4-11 show the average annual allowance for LACERS retirees from 1999-00 to 2004-05. The table also shows the Los Angeles Metro Area per capita income for the same years. The 2004-05 per capita income figure is projected based on the rate of change over the previous three years.

Table 4-11: Average Annual Allowance for LACERS Retirees vs. LA Metro Division Per Capita Income, 2000-01 to 2004-05

Fiscal Year	Average Annual Allowance	LA Metro Division Per Capita Income
2000-01	\$23,648	\$30,503
2001-02	\$24,758	\$30,828
2002-03	\$26,008	\$31,452
2003-04	\$28,243	\$33,179
2004-05	\$29,881	\$34,149
Percent Change	19.43%	11.95%

Chart 4-11: Average Annual Allowance for LACERS Retirees vs. LA Metro Division Per Capita Income, 2000-01 to 2004-05

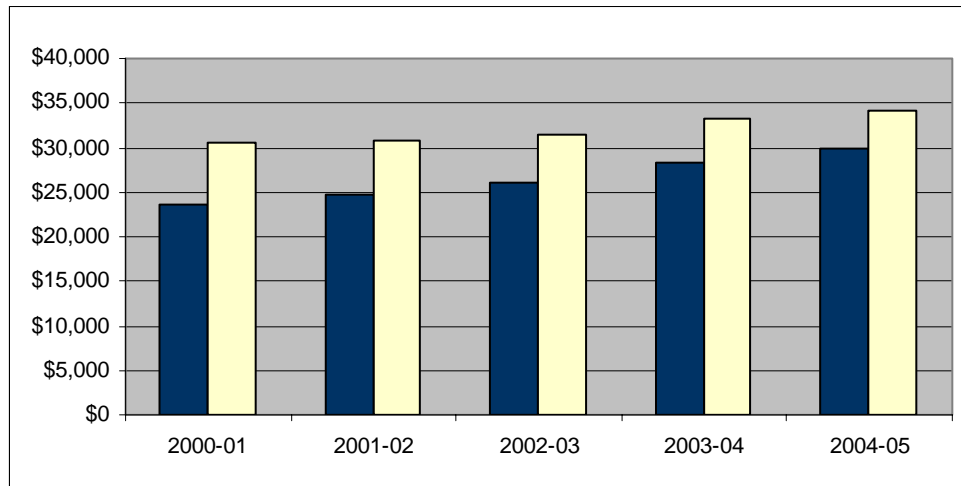


Table 4-12 and Chart 4-12 show the employer (the City of Los Angeles) contribution to LACERS, as a percent of total active member payroll for 1996-97 to 2004-05. As is apparent, this percent has nearly tripled since 1996-97, and has grown almost nine times over since 1999-00.

Table 4-12: Employer Contribution to LACERS as a Percent of Total Active Member Payroll, 1996-97 to 2004-05

Fiscal Year	Employer Contribution Rates as Percent of Payroll
1996-97	6.57%
1997-98	6.43%
1998-99	4.93%
1999-00	2.54%
2000-01	3.84%
2001-02	9.22%
2002-03	11.95%
2003-04	14.76%
2004-05	17.51%

Chart 4-12: Employer Contribution to LACERS as a Percent of Total Active Member Payroll, 1996-97 to 2004-05

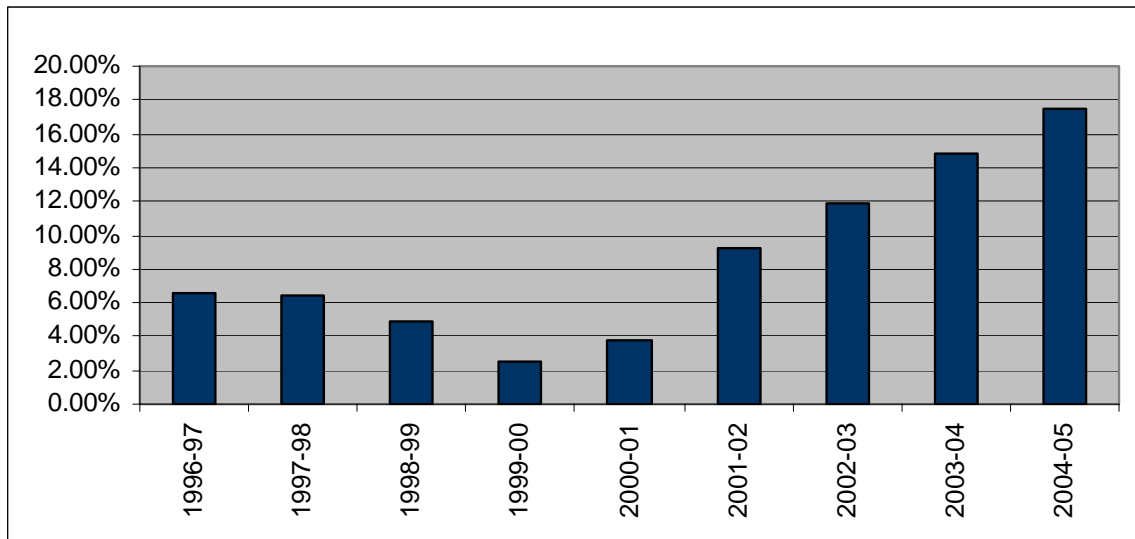


Table 4-13 shows the funded status of the Los Angeles Department of Water and Power (LADWP) Retirement System for 2003-04 and 2004-05. These are the only years for which data is available in the entity's most recent comprehensive annual financial report. The data show that although the funded ratio of the plan is not at a level for significant concern, the size of the unfunded actuarially accrued liability is sizeable at over \$732 million. It is also notable that though the plan has less than 7,000 retirees and approximately 7,900 active employees, the LADWP Retirement System will amass over \$7.7 billion in current and future assets. An approximate calculation shows that for every active and retired member of the system there is over \$500,000 in current and future assets.

Table 4-13: Funded Status of the LADWP Retirement System, 2003-04 and 2004-05

	2003-04	2004-05
Unfunded Actuarial Liability	\$170,392,797	\$732,032,311
Actuarially Accrued Assets	\$7,339,817,832	\$7,718,190,658
Funded Ratio	97.68%	90.52%

Table 4-14 and Chart 4-14 show the contributions to the LADWP Retirement System, both member and employer (LADWP), for 1995-96 through 2004-05.

Table 4-14: Contributions to the LADWP Retirement System, 1995-96 to 2004-05

Fiscal Year	Members' Contributions	Department Contributions
1995-96	\$20,943,835	\$115,390,112
1996-97	\$22,061,056	\$107,559,632
1997-98	\$25,732,201	\$129,347,361
1998-99	\$24,781,774	\$68,848,769
1999-00	\$26,128,536	\$31,042,231
2000-01	\$27,688,883	\$30,813,290
2001-02	\$30,002,271	\$33,837,427
2002-03	\$36,490,767	\$47,277,187
2003-04	\$38,045,999	\$61,926,829
2004-05	\$38,855,089	\$82,287,706

Chart 4-14: Contributions to the LADWP Retirement System, 1995-96 to 2004-05

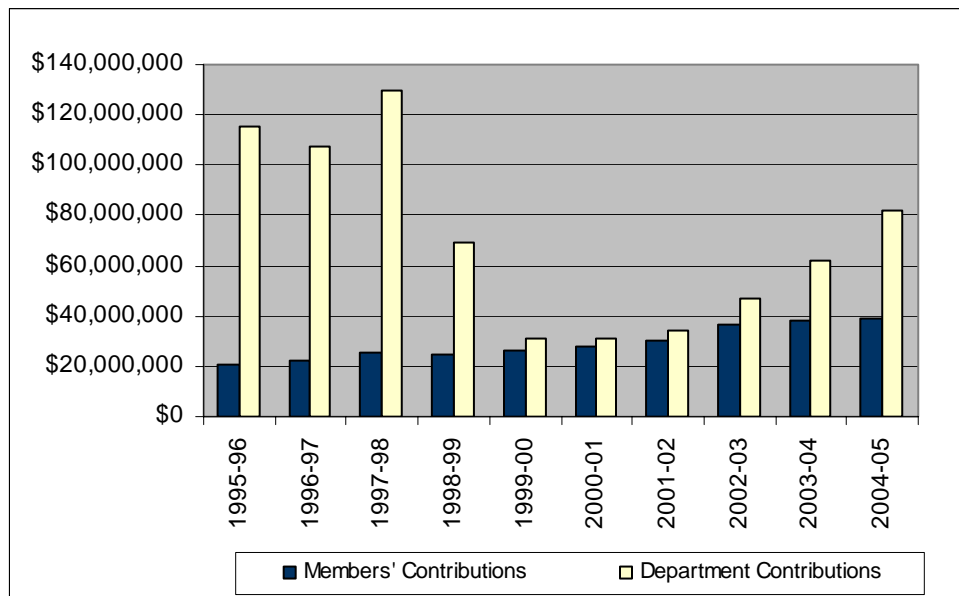


Table 4-15 and Chart 4-15 show the total benefit expenses of the LADWP Retirement System for 1995-96 through 2004-05.

Table 4-15: Total Benefit Expenses of the LADWP Retirement System, 1995-96 to 2004-05

Fiscal Year	Total Benefit Expenses
1995-96	\$189,840,150
1996-97	\$196,142,682
1997-98	\$198,859,447
1998-99	\$254,253,462
1999-00	\$271,559,094
2000-01	\$275,870,558
2001-02	\$290,243,650
2002-03	\$295,587,105
2003-04	\$302,063,849
2004-05	\$311,551,053

Chart 4-15: Total Benefit Expenses of the LADWP Retirement System, 1995-96 to 2004-05

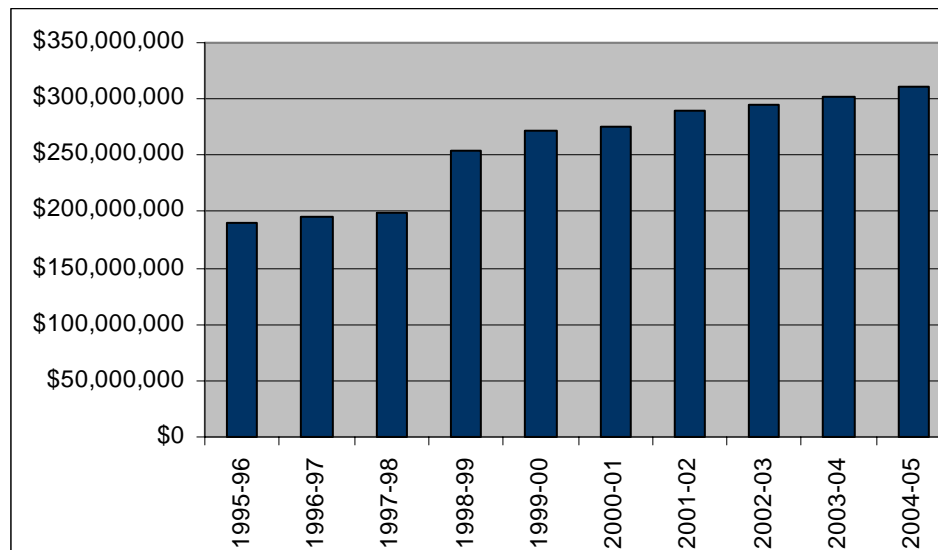


Table 4-16 and Chart 4-16 show the actuarially accrued surplus/(unfunded liability) of the Los Angeles Police and Fire Employee Retirement System for 1999-00 to 2004-05.

Table 4-16: Actuarially Accrued Surplus/(Unfunded Liability) of the LA Police and Fire Retirement System, 1999-00 to 2004-05

Fiscal Year	Actuarial Surplus/Unfunded Liability
1999-00	\$1,381,762,529
2000-01	\$1,881,492,478
2001-02	\$885,097,086
2002-03	\$487,191,932
2003-04	\$345,715,367
2004-05	-\$723,410,784

Chart 4-16: Actuarially Accrued Surplus/(Unfunded Liability) of the LA Police and Fire Retirement System, 1999-00 to 2004-05

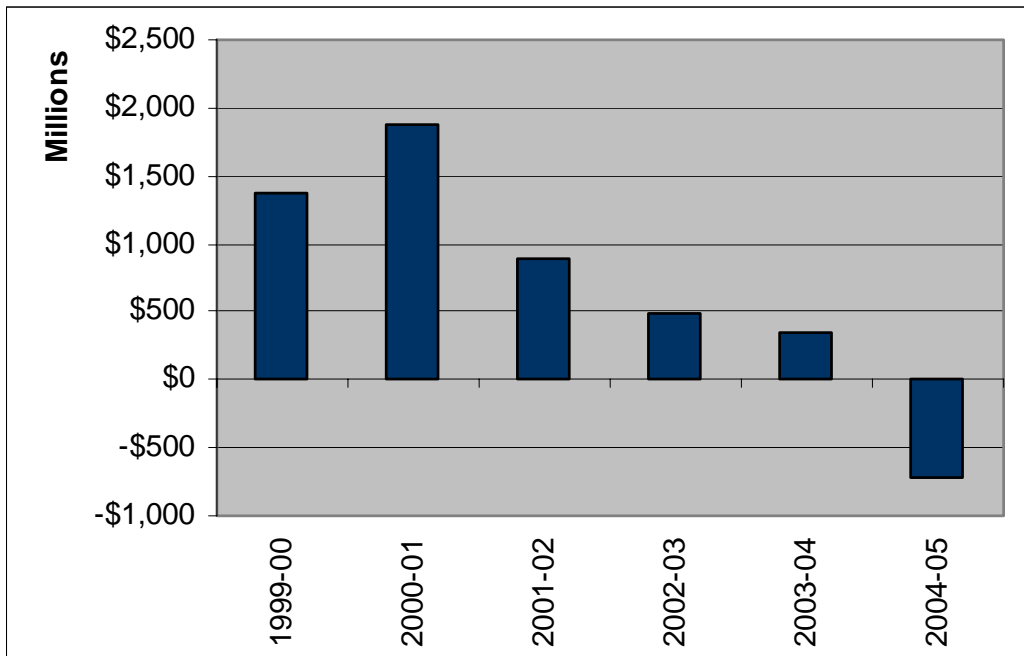


Table 4-17 and Chart 4-17 show the funded ratio of the Los Angeles Police and Fire Employee Retirement System for 1995-96 to 2004-05.

Table 4-17: Funded Ratio of the LA Police and Fire Retirement System, 1995-96 to 2004-05

Fiscal Year	Funded Ratio
1995-96	76.00%
1996-97	81.00%
1997-98	94.00%
1998-99	105.00%
1999-00	114.40%
2000-01	118.90%
2001-02	108.30%
2002-03	104.30%
2003-04	103.00%
2004-05	94.10%

Chart 4-17: Funded Ratio of the LA Police and Fire Retirement System, 1995-96 to 2004-05

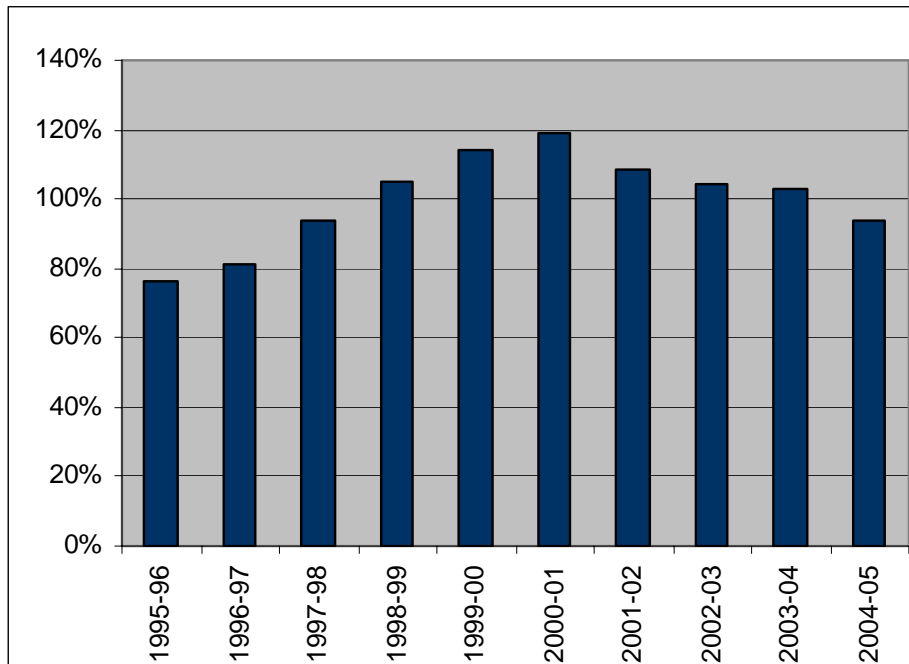


Table 4-18 and Chart 4-18 show the annual required employer contribution to the Los Angeles Police and Fire Employee Retirement System for 1999-00 to 2004-05. In this case the LA Police and Fire Department contributed 100% of the required amount for all years shown.

Table 4-18: Annual Required Employer Contribution to the LA Police and Fire Retirement System, 1999-00 to 2004-05

Fiscal Year	Annual Required Contribution
1999-00	\$163,380,843
2000-01	\$113,849,004
2001-02	\$73,120,666
2002-03	\$64,634,125
2003-04	\$97,465,612
2004-05	\$135,853,688

Chart 4-18: Annual Required Employer Contribution to the LA Police and Fire Retirement System, 1999-00 to 2004-05

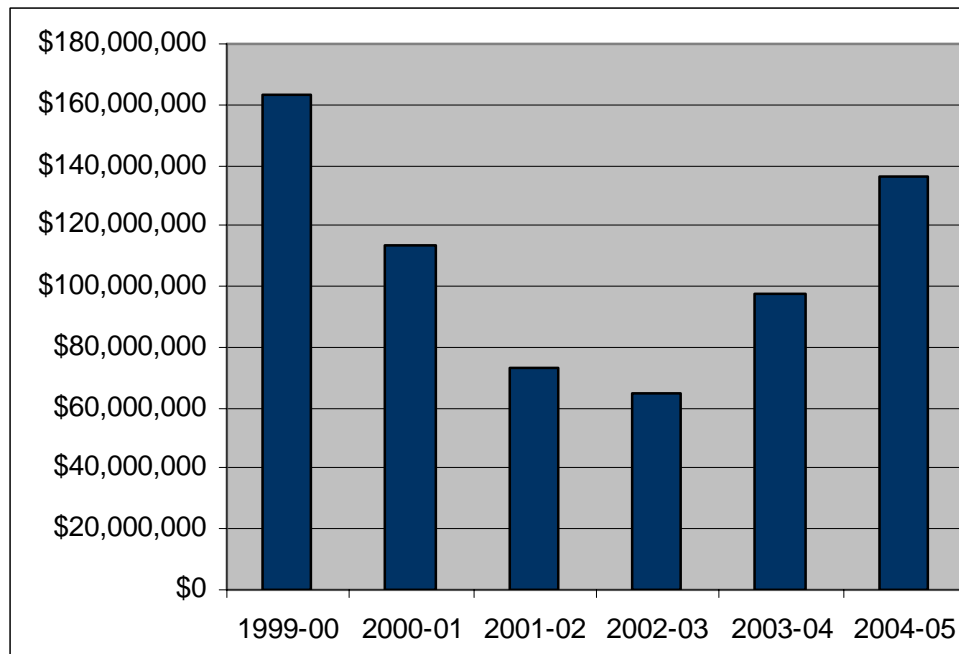


Table 4-19 and Chart 4-19 show the average annual benefit paid to Los Angeles Police and Fire Employee Retirement System retirees for 1995-96 to 2003-04. The table also shows the per capita income for the average citizen in the Los Angeles Metro Census Division.

Table 4-19: Average Annual Benefit Paid to LA Police and Fire Retirees vs. LA Metro Division Per Capita Income, 1995-96 to 2003-04

Fiscal Year	Average Annual Benefit	LA Metro Division Per Capita Income
1995-96	\$32,784	\$24,408
1996-97	\$33,324	\$25,239
1997-98	\$34,008	\$27,220
1998-99	\$35,388	\$27,973
1999-00	\$36,828	\$29,232
2000-01	\$39,228	\$30,503
2001-02	\$40,788	\$30,828
2002-03	\$42,732	\$31,452
2003-04	\$43,956	\$33,179
Percent Change	34.1%	35.9%

Chart 4-19: Average Annual Benefit Paid to LA Police and Fire Retirees vs. LA Metro Division Per Capita Income, 1995-96 to 2003-04

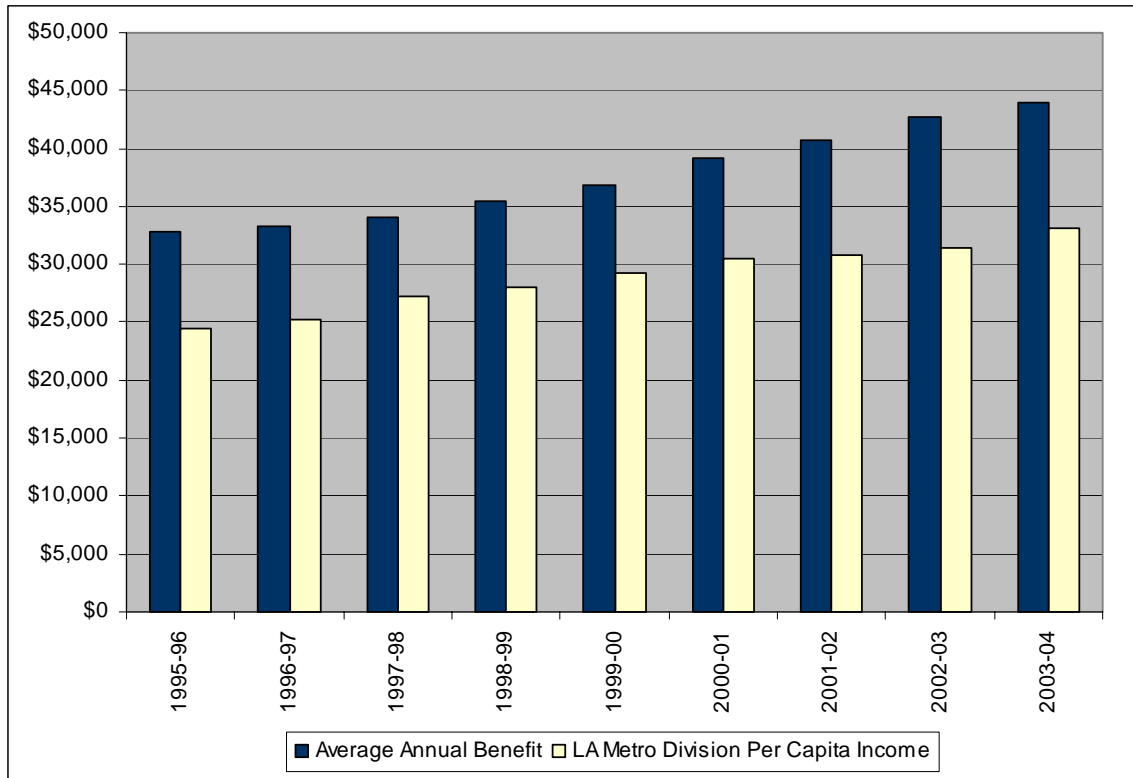


Table 4-20 and Chart 4-20 show the average age at retirement for Los Angeles Police and Fire Employee Retirement System members for 1999-00 to 2003-04. The table makes a distinction between police and fire employees. Clearly, there has been a decline in the average age of retirement for both fire and police employees. This trend runs counter to the general consensus that the average taxpayer is working longer in order to support him/herself in retirement.

Table 4-20: Average Age at Retirement for LA Police and Fire Retirees, 1999-00 to 2003-04

Average Age At Service Retirement		
Fiscal Year	Fire	Police
1999-00	57	53
2000-01	57	53
2001-02	56	53
2002-03	55	53
2003-04	54	51

Chart 4-20: Average Age at Retirement for LA Police and Fire Retirees, 1999-00 to 2003-04

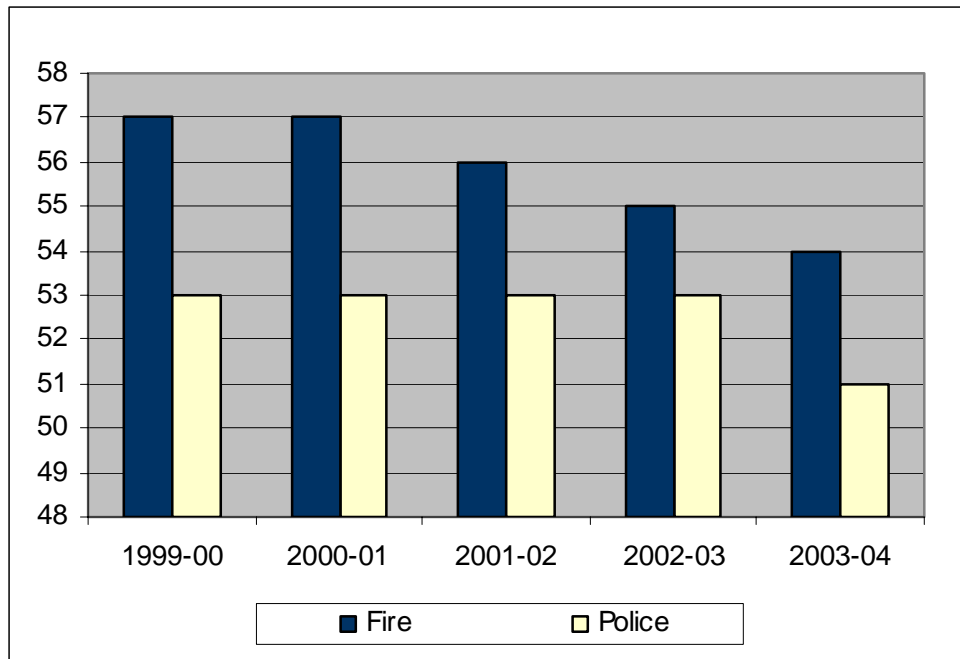


Table 4-21 shows the funding of the Deferred Retirement Option Plan (DROP) offered to Los Angeles Police and Fire employees. Under this plan, employees defer their actual retirement date, and the money they would have received through their pension is instead deposited into a personal account managed by the Retirement System. These employees continue to receive their salary during this period as well. When these employees do retire they will receive their full benefit payment, as if they had retired when they began participating in the DROP and they will have the balance in their DROP account.

Table 4-21: DROP Funding for LA Police and Fire Employees, 2003-04 and 2004-05

Fiscal Year	2003-04	2004-05
Membership	1,120	1,217
Total DROP Fund Balance	\$131,000,000	\$193,000,000
Average DROP Balance per Participant	\$116,964	\$158,587

Table 4-22 and Chart 4-22 shows the funded ratio for the Orange County Employee Retirement System (OCERS) from 1998-99 to 2003-04.

Table 4-22: Funded Ratio for OCERS, 1998-99 to 2003-04

Fiscal Year	Funded Ratio
1998-99	97.87%
1999-00	103.74%
2000-01	94.69%
2001-02	82.76%
2002-03	78.53%
2003-04	69.15%

Chart 4-22: Funded Ratio for OCERS, 1998-99 to 2003-04

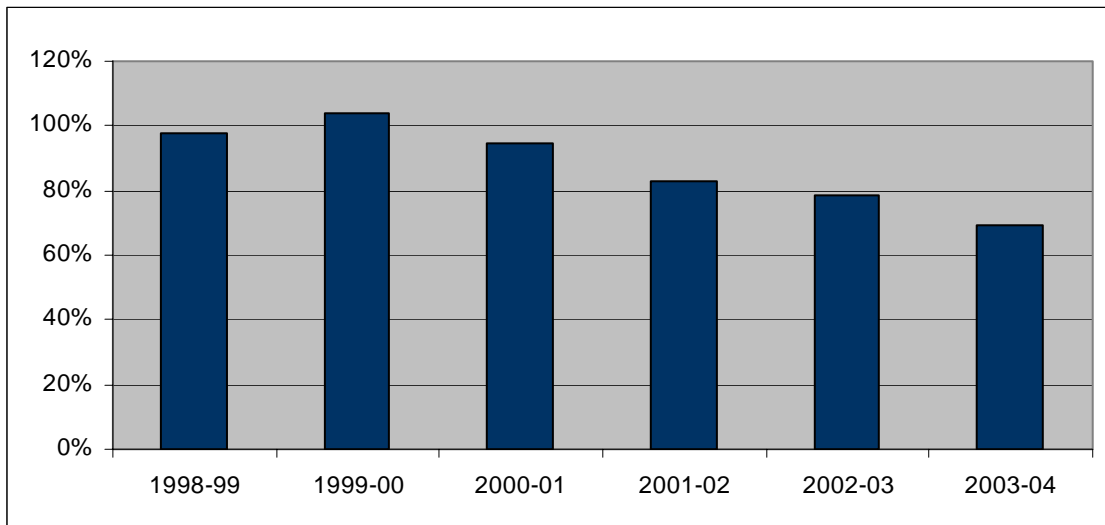


Table 4-23 and Chart 4-23 show the actuarially accrued surplus/(unfunded liability) for the Orange County Employee Retirement System (OCERS) from 1998-99 to 2003-04.

Table 4-23: Actuarially Accrued Surplus/(Unfunded Liability)
for OCERS, 1998-99 to 2003-04

Fiscal Year	Actuarially Accrued Surplus/(Unfunded Liability)
1998-99	-\$85,535,000
1999-00	\$162,337,000
2000-01	-\$257,055,000
2001-02	-\$978,079,000
2002-03	-\$1,309,334,000
2003-04	-\$2,340,869,000

Chart 4-23: Actuarially Accrued Surplus/(Unfunded Liability)
for OCERS, 1998-99 to 2003-04

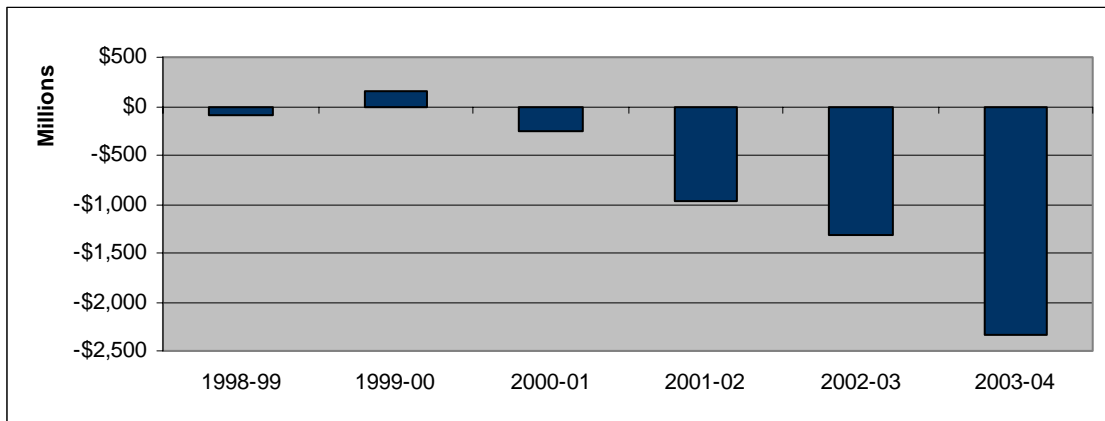


Table 4-24 and Chart 4-24 show the contributions to the Orange County Employee Retirement System (OCERS) from 1998-99 to 2003-04, including employee, employer, and additional proceeds from the issuance of pension obligation bonds (POBs). As is apparent, the County was contributing very little during the years 1998-99 to 2001-02, and instead was funding the system using the proceeds from the POB issuance.

Table 4-24: Contributions to OCERS, 1998-99 to 2003-04

Fiscal Year	Employer Contributions	Employee Contributions	Additional Contribution from POBs
1998-99	\$17,591,000	\$55,693,000	\$47,129,000
1999-00	\$15,561,000	\$61,179,000	\$48,555,000
2000-01	\$12,060,000	\$68,635,000	\$41,319,000
2001-02	\$13,289,000	\$77,917,000	\$65,180,000
2002-03	\$124,243,000	\$81,581,000	\$26,209,000
2003-04	\$194,430,000	\$81,931,000	\$3,579,000

Chart 4-24: Contributions to OCERS, 1998-99 to 2003-04

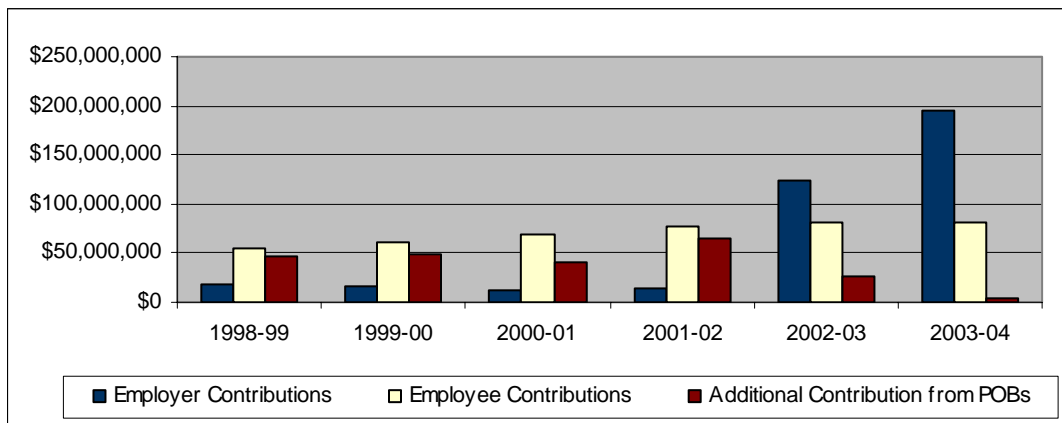


Table 4-25 and Chart 4-25 show the average annual salary for active Orange County Employee Retirement System (OCERS) members from 1994-95 to 2003-04. The table also shows the average per capita income for Orange County citizens during the same time period. Though neither the General nor Safety employee salaries have grown at the same pace of the countywide per capita income, it is notable that General employees earn approximately \$10,000 more than the average county citizen, and Safety employees earn approximately \$30,000 more than the average county citizen.

Table 4-25: Average Annual Salary for Active OCERS Members, 1994-95 to 2003-04

Fiscal Year	General	Safety	OC Per Cap Income
1994-95	\$38,179	\$55,282	\$27,810
1995-96	\$39,634	\$57,440	\$29,311
1996-97	\$39,537	\$57,179	\$30,870
1997-98	\$41,618	\$63,799	\$32,663
1998-99	\$41,512	\$67,893	\$34,194
1999-00	\$44,016	\$71,256	\$37,103
2000-01	\$46,860	\$75,372	\$37,651
2001-02	\$51,398	\$71,389	\$38,169
2002-03	\$51,808	\$70,822	\$39,536
2003-04	\$52,993	\$71,131	\$41,868
Percent Change	38.80%	28.67%	50.55%

Chart 4-25: Average Annual Salary for Active OCERS Members, 1994-95 to 2003-04

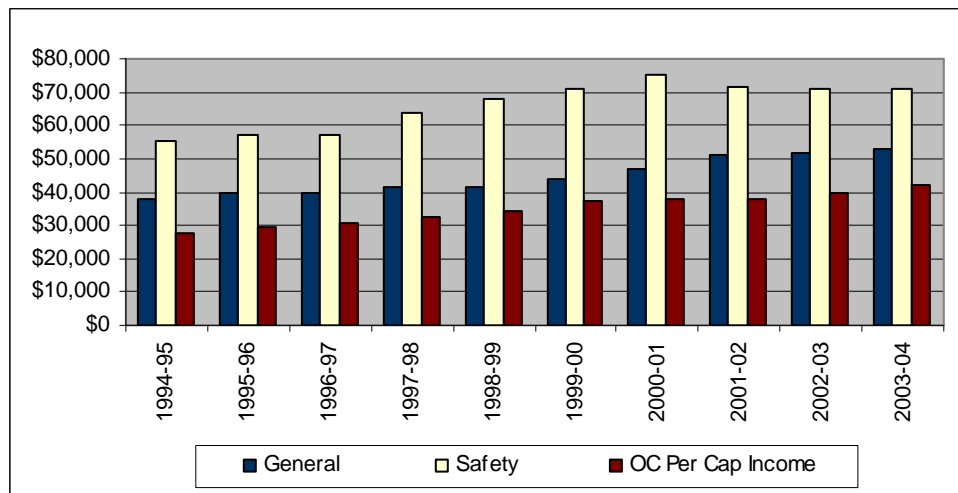


Table 4-26 and Chart 4-26 show the average annual pension for retired Orange County Employee Retirement System (OCERS) members from 1998-99 to 2003-04. The table makes a distinction between General and Safety retirees. The table also shows the average per capita income for Orange County citizens during the same time period. It is of note that OCERS safety retirees made \$6,000 more in retirement in 2003-04 than the average citizen per capita income. It is also important to point out that safety retiree pensions have grown by 42% over the five year period, or over 8% per year.

Table 4-26: Average Annual Pension for OCERS Retirees, 1998-99 to 2003-04

Fiscal Year	General	Safety	OC Per Cap Income
1998-99	\$16,620	\$33,456	\$34,194
1999-00	\$17,148	\$33,864	\$37,103
2000-01	\$17,976	\$35,460	\$37,651
2001-02	\$18,864	\$41,256	\$38,169
2002-03	\$20,292	\$44,556	\$39,536
2003-04	\$21,192	\$47,508	\$41,868
Percent Change	27.51%	42.00%	22.44%

Chart 4-26: Average Annual Pension for OCERS Retirees, 1998-99 to 2003-04

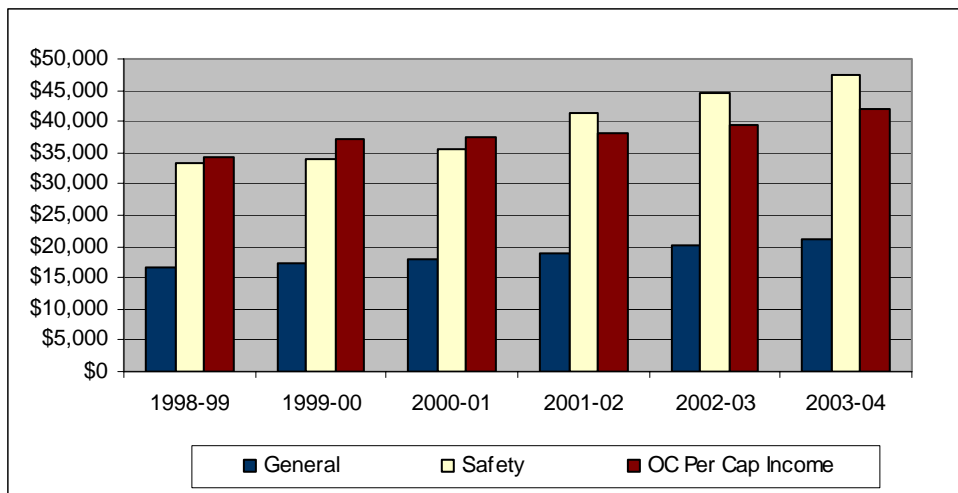


Table 4-27 and Chart 4-27 show the actuarially accrued surplus/(unfunded liability) for the San Diego County Employees Retirement Association (SDCERA) from 1993-94 to 2004-05.

Table 4-27: Actuarially Accrued Surplus/(Unfunded Liability)
for SDCERA, 1993-94 to 2004-05

Fiscal Year	Actuarially Accrued Surplus/(Unfunded Liability)
1993-94	-\$59,379,000
1994-95	\$24,284,000
1995-96	\$29,856,000
1996-97	\$200,181,000
1997-98	\$156,978,000
1998-99	\$221,761,000
1999-00	\$319,849,000
2000-01	\$238,772,000
2001-02	-\$1,246,733,000
2002-03	-\$1,435,359,000
2003-04	-\$1,202,731,000
2004-05	-\$1,378,406,000

Chart 4-27: Actuarially Accrued Surplus/(Unfunded Liability)
for SDCERA, 1993-94 to 2004-05

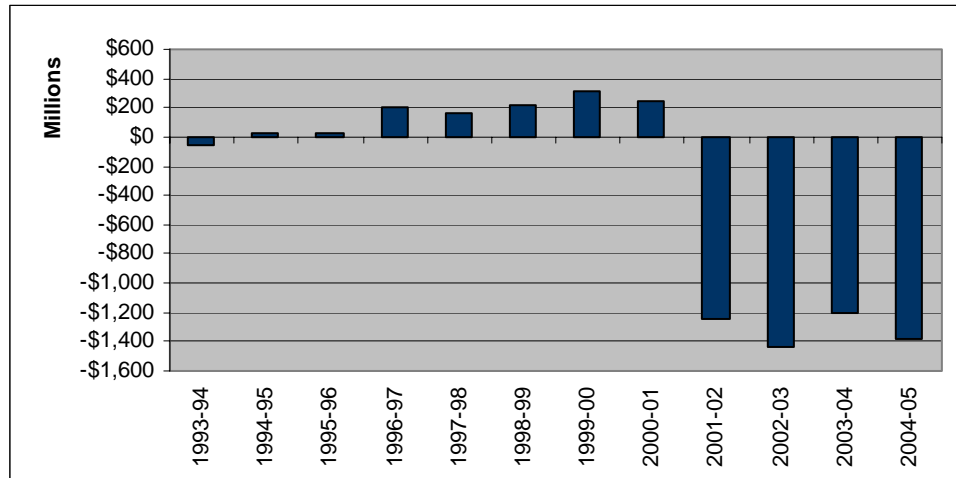


Table 4-28 and Chart 4-28 show the funded ratio of the San Diego County Employees Retirement Association (SDCERA) from 1993-94 to 2004-05.

Table 4-28: Funded Ratio of SDCERA, 1993-94 to 2004-05

Fiscal Year	Funded Ratio
1993-94	97.0%
1994-95	101.1%
1995-96	101.3%
1996-97	108.0%
1997-98	105.9%
1998-99	107.4%
1999-00	109.8%
2000-01	106.8%
2001-02	75.4%
2002-03	75.5%
2003-04	81.1%
2004-05	80.3%

Chart 4-28: Funded Ratio of SDCERA, 1993-94 to 2004-05

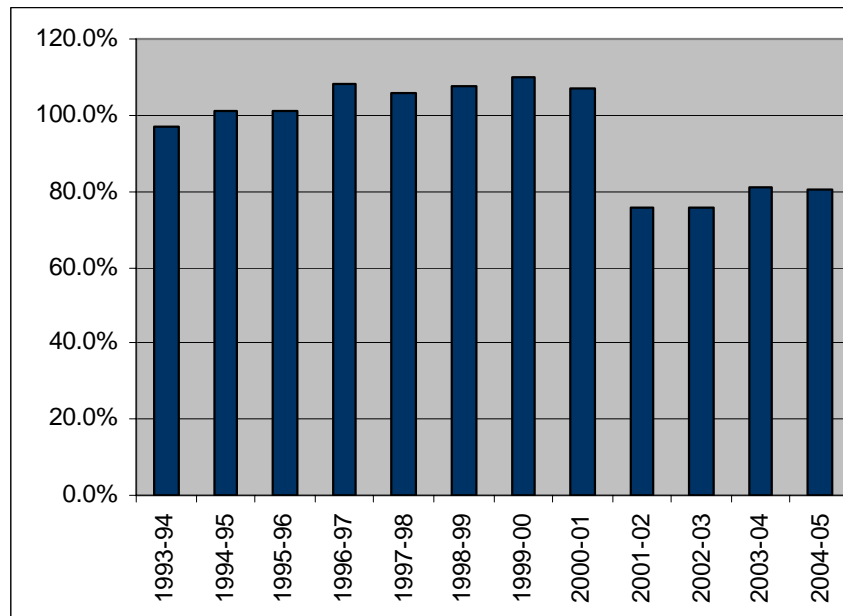


Table 4-29 and Chart 4-29 show the average salary of San Diego County Employees Retirement Association (SDCERA) active employees from 1995-96 to 2004-05. The table also shows the per capita income of the average citizen in San Diego County for the same time period. The per capita income figure for 2004-05 is a projection based on rates of growth from previous years.

Table 4-29: Average Salary for SDCERA Active Employees, 1995-96 to 2004-05

Fiscal Year	Average Active Employee Salary	San Diego County Per Capita Income
1995-96	\$33,992	\$24,846
1996-97	\$34,954	\$26,196
1997-98	\$36,432	\$28,490
1998-99	\$38,771	\$30,236
1999-00	\$40,343	\$32,803
2000-01	\$42,150	\$33,886
2001-02	\$44,342	\$34,719
2002-03	\$49,071	\$35,620
2003-04	\$51,763	\$37,965
2004-05	\$54,287	\$40,471

Chart 4-29: Average Salary for SDCERA Active Employees, 1995-96 to 2004-05

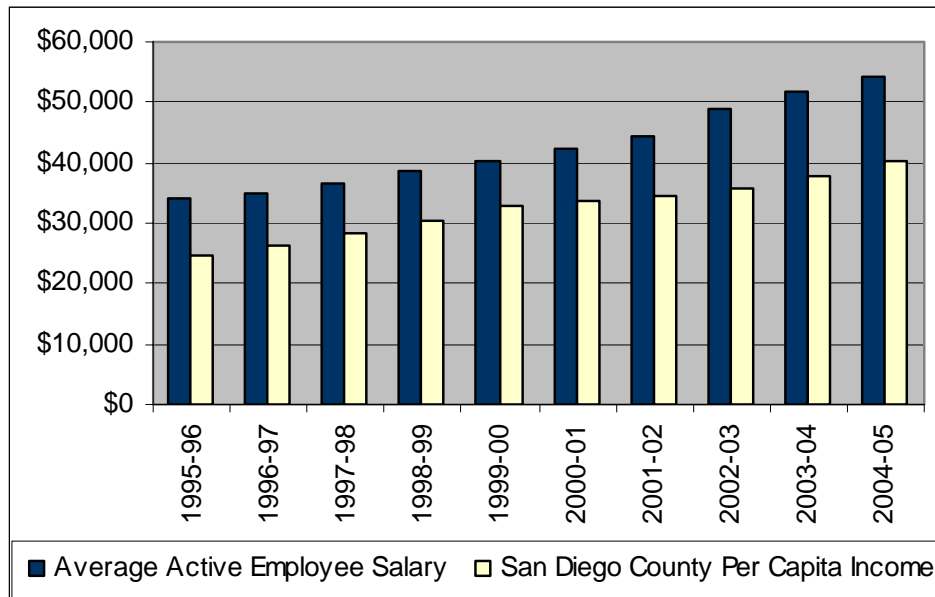


Table 4-30 and Chart 4-30 show the average pension benefit paid to San Diego County Employees Retirement Association (SDCERA) retirees from 1999-00 to 2004-05. The table also shows the per capita income of the average citizen in San Diego County for the same time period. The per capita income figure for 2004-05 is a projection based on rates of growth from previous years.

Table 4-30: Average Benefit Paid to SDCERA Retirees, 1999-00 to 2004-05

Fiscal Year	Average Annual Benefit	San Diego County Per Capita Income
1999-00	\$20,301	\$32,803
2000-01	\$20,155	\$33,886
2001-02	\$33,691	\$34,719
2002-03	\$33,148	\$35,620
2003-04	\$33,127	\$37,965
2004-05	\$32,176	\$40,471

Chart 4-30: Average Benefit Paid to SDCERA Retirees, 1999-00 to 2004-05

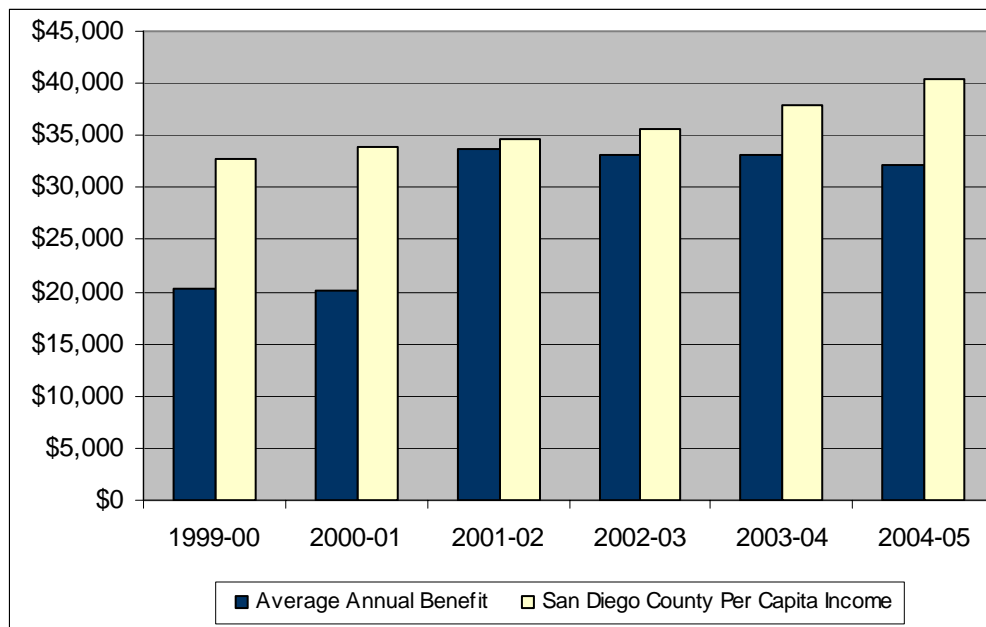


Table 4-31 shows the funded ratios for the retirement systems of the City of San Diego and the City and County of San Francisco. As is apparent from the data, the retirement systems of the City and County of San Francisco is in much better financial shape than the City of San Diego.

The retirement system for the City and County of San Francisco is 109% funded as of FY 2003-04. The City of San Diego retirement system, by comparison, is only 67.8% funded as of the same fiscal year.

It is interesting to note that since 1990, San Francisco's funded ratio has declined somewhat but has consistently remained well over 100%. By contrast, San Diego's funded ratio, which stood at 94.4% in 1999, and actually increased in 2000 to 98.7%, has rapidly declined since that time. The unfunded actuarial accrued liability for the City of San Diego was almost \$1.2 billion by the start of FY 2003-04.

Table 4-31: Funded Ratios for the City of San Diego and City and County of San Francisco, FY 2003-04

Agency	Funded Ratio
City and County of San Francisco	109%
City of San Diego	67.8%

Chart 4-31: Funded Ratios for the City of San Diego and City and County of San Francisco, FY 2003-04

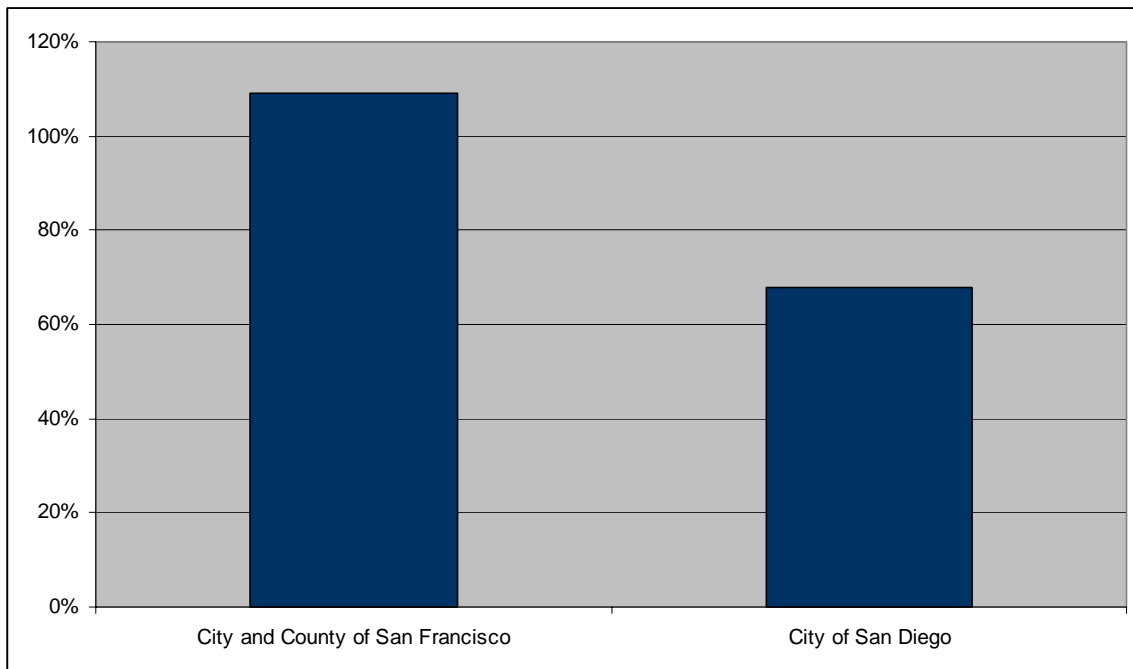


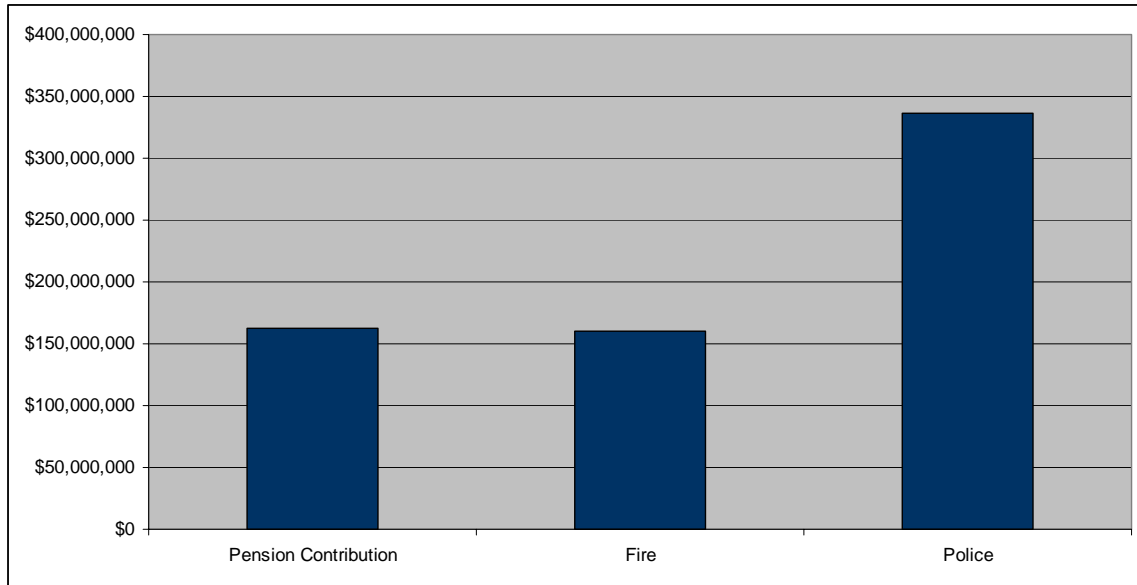
Table 4-32 shows data about pension contributions made by the City of San Diego in FY 2005-06, and also data about fire and police expenditures. The City of San Diego is now spending more of its operating budget on financing its pension system obligations than it is on fire protection services.

Allocations from the annual operating budget to the pension system are going to be substantial going forward. While the magnitude of these financial obligations is not clear at this time, it is certainly the case that a significant portion of the City's annual operating budget is going to be allocated to financing future pension obligations. Under a legal settlement agreement, the City is required to make additional payments to compensate for the consequences of recent ill-advised policy decisions regarding employee pension benefits.

Table 4-32: Selected Expenditures for the City of San Diego, FY 2005-06

	Expenditure
Pension Contribution	\$162,000,000
Fire	\$160,337,603
Police	\$336,477,474

Chart 4-32: Selected Expenditures for the City of San Diego, FY 2005-06



About the Center

The Center for Government Analysis was established in 2003 to provide any interested citizen with readily accessible data regarding state and local government finances in the United States. As an independent corporation, the Center for Government Analysis is not influenced or controlled by any financial contributor or special interest.

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