



● 2009/10 Annual Defined Benefit Report

Summary

This report provides an annual summary of the CalPERS defined benefit retirement plan for the period of July 1, 2009 through June 30, 2010. Metropolitan contracted with CalPERS as a Local Miscellaneous agency effective January 1, 1945 to administer its pension plan which provides employees a defined benefit upon retirement based on years of service, age and salary. Effective July 1, 1971 Metropolitan adopted the 2% @ 60 benefit formula. Effective December 28, 1997 Metropolitan amended its contract with CalPERS to provide a benefit formula of 2% @ 55.

Attachments

None

Detailed Report

Metropolitan's Employer Contribution Rate

The CalPERS employer rate is set annually based on an actuarial valuation performed by a CalPERS actuary. Many factors are used in determining the employer rate including number of employees, age of employees, payroll and investment return. CalPERS uses an estimated rate of return of 7.75% per year. Rates for fiscal year 2010/2011 are set based on demographic and payroll information from fiscal year 2009/2010. Additionally, a new smoothing method was applied in response to the 2008/2009 investment losses of -24% to phase in the employer rate increase impact over a three year period. These new assumptions are to ensure promised benefits are properly funded. Below is a history of Metropolitan's employer rates and the most recent projected employer rates from the actuarial valuation.

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>
2006/07	11.315%
2007/08	11.405%
2008/09	11.432%
2009/10	11.708%
2010/11	11.873%
2011/12	14.484%
2012/13	15.700% (projected)
2013/14	19.100% (projected)

Metropolitan's Pension Demographics

The demographics below are as of June 30, 2009.

Active Members

Count	1,914
Average Age	49.06
Average Age at Hire	33.84
Average Years of Service	15.22
Average Annual Covered Pay	\$101,976
Annual Covered Payroll	\$195,181,418

Retired Members and Beneficiaries

Count	1,607
Average Age	70.66
Average Annual Pension	\$35,213
Active to Retired Ratio	1.19

Board Report (2009/10 Annual Defined Benefit Report)

Funding History

The market value of assets is present day liquidation value of held assets and represents short term solvency of the plan. The actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years. This method helps to dampen large fluctuations in the employer rate and indicates progress toward fully funding the plan.

Valuation Date	Funded Ratio	
	Market Value of Assets	Actuarial Value of Assets
6/30/2005	95.4%	92.9%
6/30/2006	98.7%	93.2%
6/30/2007	107.0%	92.4%
6/30/2008	94.1%	92.3%
6/30/2009	63.6%	87.1%

CalPERS Portfolio Returns and Market Values

Below is the historical data with respect to CalPERS overall portfolio, investment returns and market value. The investment returns fund 75% of the retirement benefits which has a direct impact on the employer contribution rate.

Year	Historical Rates of Return		Market Value	
	Fiscal Year End 6/30	Calendar Year End 12/31	Fiscal Year End 6/30	Calendar Year End 12/31
2005	12.3%	11.1%	\$189.6 billion	\$200.9 billion
2006	11.8%	15.7%	\$211.2 billion	\$230.3 billion
2007	19.1%	10.2%	\$251.1 billion	\$253.0 billion
2008	-5.1%	-27.8%	\$237.9 billion	\$183.3 billion
2009	-24.0%	12.1%	\$178.9 billion	\$203.3 billion
2010	13.3%	12.6%	\$201.6 billion	\$225.7 billion

Contract Details

Metropolitan's current retirement formula of 2% at age 55 includes employer paid member contributions (EPMC) at 7% plus EPMC reported as special compensation. The contract provides conversion of sick leave to additional service credit, level 4 survivor benefits, 2% cost of living allowance, 12 month final compensation for retirement calculations, post retirement death benefit of \$500, post retirement survivor allowance at 50%, non-industrial improved disability retirement, optional settlement 2-W death benefit, purchase of military service credit and redeposit of CalPERS service credit, and service credit purchase with pre-tax dollars.