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CalPERS
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June 23, 2010

Employer Number: 0564
Employer Name: COUNTY OF EL DORADO
Rate Plan: SAFETY PLAN

Re: New 2% @ 50 and Three-Year Final Compensation for Safety Second Tier within a Non-pooled Plan (Section 20475: Different Level of Benefits Provided for New Employees)

Dear Requestor:

As requested, employer contribution rate information on your proposed second tier follows.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the June 30, 2008 annual valuation.

CalPERS offers a choice of two options in implementing a second tier within a non-pooled pension plan. Under both options, if the employee contribution rate changes, that change would take place immediately. The first option, our standard method, reduces the employer rate slowly over time as new employees are hired with second tier lower benefits, which have a lower employer contribution rate. The second option is to temporarily have new employees pay a contribution rate determined by the appropriate risk pool's rates in combination with the first tier plan's current unfunded liability rate. This option will provide more immediate rate relief. Details on both methods are provided below and an election form can be found at the end of this letter.

Standard Method

Under the standard method, there will be no immediate employer contribution rate impact from this amendment. Ultimately, however, your employer normal cost will decrease. If the mix of active member entry ages were the same for both the current continuing first tier employees and the new second tier employees, the ultimate decrease would be **4.96%**.

This rate reduction will occur gradually, beginning on July 1, 2012, if there are second tier employees hired on or before June 30, 2010. For fiscal years 2012/2013 and beyond, the projected cumulative amount of rate reduction you can expect from introducing a second tier is equal to the ratio of your second tier payroll to your total plan payroll two and a half years earlier. For example if 1/10 of your safety members were in second tier on June 30, 2010 *and the ultimate expected normal cost decrease was 5.0%*, the cumulative rate reduction you can expect by the 2012/2013 fiscal year would be 1/10 x 5.0% = 0.50%.

Temporary Pooling Option

Under this new optional approach, a temporary second tier rate group would be created that would pay an employer contribution rate determined as follows:

• 2% @ 50 risk pool normal cost rate	11.462%
• Current County of El Dorado Safety plan payment on the amortization bases	8.251%
• Total Employer Contribution rate	19.713%

The rate described here would be temporary for the second tier members until two years after the first annual actuarial valuation following the hiring of new employees. If, for example, you begin hiring second tier employees in the 2009/2010 fiscal year, the first annual valuation following that would be June 30, 2010, and so the 19.713% rate would last until June 30, 2012. After that, under current procedures, you would receive a single employer contribution rate for all your safety plan members which blends the different benefits of the members of this safety plan. If the reduced contributions made up through June 30, 2012 would cause that blended rate to be slightly larger than it would have been under the first option.

Please be advised that the analysis above does not take into account impending employer contribution rate increases due to the investment market losses during the fiscal year ending June 30, 2009. Further, the analysis does not take into consideration the recent changes in the actuarial assumptions adopted by the CalPERS' Board of Administration in April 2010 and their impact on employer rates. It is recommended that you refer to the enclosed Circular Letter 200-056-09 dated August 25, 2009 which addresses how these investment losses and Board approved enhancements to our actuarial smoothing methodology will impact future employer contribution rates. For information on how the assumption changes will impact future employer rates, you should refer to the enclosed Circular Letter 200-028-10 dated May 12, 2010.

To initiate an amendment to the contract, please complete the attached election form and mail or FAX (916) 795-3005 the form with a letter to the Contracts Maintenance Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

If you have questions and wish to discuss your options further, please contact your plan actuary.

Gale D Patrick

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