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October 29, 2010

Hon. Steve White, Presiding Judge
Sacramento County Superior Court
720 9th Street, Dept. 47
Sacramento, CA 95814

Re: California Public Employees Retirement System (CalPERS) Response to 2009-2010 Grand Jury Report

Dear Judge White:

This letter serves as a response to the 2009-2010 Grand Jury Final Report pertaining to Independent Special Districts (ISD). The Grand Jury asked CalPERS to respond to finding 3.0 and its associated recommendations. (Grand Jury Report, pages 104-121). Please see responses below:

Finding 3.0: ISD Pension awards and Other Post Employment Benefits (OPEB) have increased markedly in the last decade. Some of these awards are unfair and unsustainable.

- CalPERS is the administrator of employee retirement benefits for the State of California and public agencies that choose to contract with CalPERS. CalPERS does not determine the level of benefits given to employees. State law gives employers and employee groups the ability to change retirement formulas through collective bargaining.

Recommendation 3.1: All ISDs should adopt pension and OPEB plans that are fair, affordable and sustainable.

- CalPERS provides cost information to assist employers in their decision making regarding benefit levels.

Recommendation 3.2: To minimize unfair pension boosting, all ISDs should ensure that calculations of employees' base pension awards are on actual base salary earnings over their highest 36 months of earnings and urge CalPERS to promote this standard.

- This is a determination of the benefit level that employers and employee groups may agree on. All employers have the ability to contract with CalPERS for a 36-month final compensation period.

Recommendation 3.3: All ISD pension/OPEB changes should be made only after analysis and full disclosure to all parties of the fiscal ramifications.

- The law relating to disclosures was changed due to a recommendation made by Governor Schwarzenegger's Post Employment Benefits Commission in early 2008.

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As a result, these disclosures are now currently required by law. Under Government Code section 7507, employers must certify that they have received a statement of actuarial impact (actuarial valuation) which provides an analysis of the cost of the pension change.

Recommendation 3.4: All ISD pension/OPEB benefits should have an employee contribution component.

- All pension formulas at CalPERS that are available to special districts require employee contributions. Some employers have elected to pay the employee contributions on behalf of the employees. Again, this is an item subject to collective bargaining between the employer and employee groups and ultimately a decision for the governing body.

Thank you for your time and consideration. If you have any questions or need any additional information, please contact me at (916) 795-3818.

Sincerely,

ANNE STAUSBOLL
Chief Executive Officer