



LIBRARY JOINT POWERS AUTHORITY BOARD  
FINANCE SUBCOMMITTEE

Monday, March 26, 2012  
Downtown Branch Community Meeting Room  
224 Church Street, Santa Cruz

6:30 PM PUBLIC MEETING

1. ROLL CALL
2. APPROVE AGENDA OF MARCH 26, 2012
3. APPROVE MINUTES OF FEBRUARY 27, 2012
4. ORAL COMMUNICATIONS
5. STAFF REPORTS
  - a. Status report
    - i. Financial reports through February 2012 (p.5-15)
      - a) Consolidated balance sheet showing assets and liabilities (p.5-6)
      - b) Summary page showing fund balances for fiduciary and contingency funds (p.7)
      - c) Revenue and Expense report (Financial Status Balances) including encumbrances (p.8-9)
      - d) Interagency labor charges (52149) broken out into detail showing payroll costs and specific benefit costs; (p.10-14)
      - e) Month End Cash Balances (p.15)
    - b. Calpers Letter (p.16-17)
    - c. Service Model and Budget update (available at the meeting)
6. NEXT MEETING
  - a. Discuss next meeting date due to possible conflicts

March 26, 2012

b. The next regularly scheduled meeting is April 23, 2012

**ADJOURN**

The Library Joint Powers Authority Board Finance Subcommittee will adjourn from the regularly scheduled meeting of March 26, 2012 to the next regularly scheduled public meeting on April 23, 2012 at 6:00 pm in the Community Meeting Room of the Downtown Branch Library.

The Santa Cruz City-County Library System does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, the Library requests that you attend fragrance free. The Downtown Branch Library is a fully accessible facility. If you wish to attend this public meeting, and you will require special assistance such as sign language or other special devices in order to attend and participate, please call (831) 427-7706 seventy-two (72) hours prior to the event to make arrangements for assistance. Upon request, agendas for public meetings can be provided in a format to accommodate special needs.

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SANTA CRUZ PUBLIC LIBRARIES  
A CITY-COUNTY SYSTEM

LIBRARY JOINT POWERS BOARD  
FINANCE SUBCOMMITTEE

MINUTES

February 27, 2012

Downtown Branch Meeting Room  
224 Church Street, Santa Cruz

6:00 PM PUBLIC MEETING

I. ROLL CALL

Present: Councilmember Storey, Councilmember Terrazas, Citizen English

Staff: Director Landers

II. APPROVAL OF MEETING AGENDA OF FEBRUARY 27, 2012

**Councilmember Storey moved, seconded by Councilmember English**

**that the Committee approve the agenda of February 27, 2012**

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III. APPROVAL OF MINUTES OF JANUARY 30, 2012

**Councilmember Storey moved, seconded by Councilmember Terrazas**

**that the Committee approve the minutes of January 30, 2012.**

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IV. ORAL COMMUNICATIONS

None

V. STAFF REPORTS

A. Mid Year Status report

Director Landers reported that pooled cash is doing well. After 7 months into the FY sales and use tax are slightly up at 64%. E-rate is still in transition. The Finance Subcommittee reviewed the reports.

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B. Director Landers gave a presentation of the preliminary budget for FY 12/13. The presentation included an estimate of the total cost to achieve increased open hours and the timeline for implementation. The Finance Subcommittee discussed the various aspects and implications of the report.

#### VI. OTHER BUSINESS

The Committee unanimously elected David Terrazas as the new Chair.

Councilmember Storey moved, seconded by Citizen English

**that the Committee elect Councilmember Terrazas as the new Chair.**

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#### VII. NEXT MEETING

The next regularly scheduled Finance Subcommittee meeting is scheduled for March 26, 2012 at 6:00 p.m. in the Community Meeting Room of the Downtown Branch Library.

#### VII. ADJOURN

The regular meeting adjourned at 7:13 p.m.

Respectfully submitted,

Helga Smith  
Clerk of the Board

All documents referred to in these minutes are available in the Library.

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LIBRARY JOINT POWERS AUTHORITY  
 COMBINED BALANCE SHEET  
 JPA FUND AND ACCOUNT GROUPS  
 FEBRUARY 2012

	JPA
	Total
<b>Assets</b>	
Pooled cash	2,379,377
Pooled cash interest receivable	2,428
Other interest receivable	-
Taxes receivable - current	-
Accounts receivable	-
Internal investment & loan receivable	8,952
Infrastructure	579,683
Accumulated depreciation - infrastructure	(217,892)
Lease improvements - buildings	2,018,032
Accumulated depreciation - lease imp-buildings	(1,134,479)
Machinery and equipment	1,648,085
Accumulated depreciation - machinery & equip	(1,515,684)
Software	3,983
Accumulated depreciation-software	(3,983)
Construction in progress	71,354
<b>Total Assets</b>	<b>3,839,856</b>
<b>Liabilities</b>	
Accounts payable	121,446
Sales tax payable	427
Deferred grant revenue - unearned	3,098
Unclaimed funds	596
Payable to the County - noncurrent	80,586
Other intergovernmental payable-noncurrent	307,170
<b>Total Liabilities</b>	<b>513,323</b>
<b>Equities</b>	
Unreserved, undesignated fund balance	1,769,261
Committed - cash flow/unexpected expenditures	495,929
Investment in capital assets - Library	1,449,099
Reserved for long-term debt	(387,756)
<b>Total Equities</b>	<b>3,326,533</b>
<b>Total Liabilities and Equities</b>	<b>3,839,856</b>

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LIBRARY JOINT POWERS AUTHORITY									
COMBINED BALANCE SHEET									
TRUST FUNDS									
FEBRUARY 2012									
Fund #	Fund Description	931	932	933	934	935	935	935	Trust Funds Total
		McCaskill Loc His	McCaskill Vis Imp	Finkeldey	Whalen	Leet-Corday	Morley	Hale	
<b>Assets</b>									
	Pooled cash	254,909	235,700	9,325	144,232	89,186	12,296	70,106	815,754
	Pooled cash interest receivable	535	495	20	303	187	9	21	1,570
	Internal investment and loan receivable	2,317	2,191	85	1,257	737	-	-	6,587
	<b>Total Assets</b>	<b>257,761</b>	<b>238,386</b>	<b>9,430</b>	<b>145,792</b>	<b>90,110</b>	<b>12,305</b>	<b>70,127</b>	<b>823,911</b>
<b>Equities</b>									
	Net assets held in trust-library prog	257,761	238,386	9,430	145,792	90,110	12,305	70,127	823,911
	<b>Total Equities</b>	<b>257,761</b>	<b>238,386</b>	<b>9,430</b>	<b>145,792</b>	<b>90,110</b>	<b>12,305</b>	<b>70,127</b>	<b>823,911</b>

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 03/21/2012  
 Periods: 8 through 8

Revenue Status Report  
 Library JPA  
 CITY OF SANTA CRUZ  
 2/1/2012 through 2/29/2012

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951 Library Joint Powers Authority

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Account Number	Adjusted Estimate	Revenues	Year-to-date Revenues	Balance	Pct Rcvd
951-41000 TAXES					
951-00-00-0000-41211 Sales and use tax	5,501,530.00	561,387.06	4,085,962.78	1,415,567.22	74.27
Total TAXES	5,501,530.00	561,387.06	4,085,962.78	1,415,567.22	74.27
951-43000 INTERGOVERNMENTAL					
951-36-00-0000-43210 State operating grants and contributions	0.00	0.00	5,000.00	-5,000.00	0.00
951-36-00-0000-43310 Local operating grants and contributions	0.00	0.00	14,671.00	-14,671.00	0.00
951-36-00-0000-43311 Maintenance of effort contributions	5,146,100.00	428,530.10	3,425,803.00	1,720,297.00	66.57
951-36-55-3531-43210 State operating grants and contributions	2,500.00	0.00	1,550.98	949.02	62.04
951-36-55-3560-43190 Federal grants - other	12,966.00	0.00	3,956.00	9,000.00	30.53
Total INTERGOVERNMENTAL	5,161,566.00	428,530.10	3,450,980.98	1,710,575.02	66.86
951-44000 CHARGES FOR SERVICES					
951-36-00-0000-44613 Internet use fee	4,100.00	333.15	3,058.76	1,041.24	74.60
951-36-00-0000-44630 Room rentals-library JPA	2,500.00	150.00	1,685.00	815.00	67.40
951-36-00-0000-44901 Photocopy fee	7,000.00	578.47	4,778.90	2,221.10	68.27
Total CHARGES FOR SERVICES	13,600.00	1,061.62	9,522.66	4,077.34	70.02
951-45000 FINES AND FORFEITS					
951-36-00-0000-45131 Library fines	200,000.00	11,684.20	114,303.18	85,696.82	57.15
951-36-00-0000-45132 Lost library items	25,000.00	1,069.40	9,406.15	15,593.85	37.62
Total FINES AND FORFEITS	225,000.00	12,753.60	123,709.33	101,290.67	54.98



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Revenue Status Report  
 Library JPA  
 CITY OF SANTA CRUZ  
 2/1/2012 through 2/29/2012

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951 Library Joint Powers Authority

Account Number	Adjusted Estimate	Revenues	Year-to-date Revenues	Balance	Pct Rcvd
951-46000 MISCELLANEOUS REVENUES					
951-00-00-0000-46110 Pooled cash and investment interest	0.00	289.88	6,308.92	-6,308.92	0.00
951-00-00-0000-46190 Interest earnings - other	4,096.00	420.00	2,102.65	1,993.35	51.33
951-00-00-0000-46620 Internal investment & loan int receipts	0.00	0.00	50.04	-50.04	0.00
951-00-00-0000-46910 Miscellaneous operating revenue	8,500.00	0.00	4,573.64	3,926.36	53.81
951-00-00-0000-46990 Miscellaneous non-operating revenue	0.00	0.00	22,303.44	-22,303.44	0.00
951-36-00-0000-46303 Donations - library	12,000.00	0.00	16,214.72	-4,214.72	135.12
951-36-00-0000-46309 Donations - library - Friends of the Lib	100,000.00	20.45	25,525.00	74,475.00	25.53
951-36-00-0000-46916 Cash over/short	0.00	16.72	175.48	-175.48	0.00
Total MISCELLANEOUS REVENUES	124,596.00	747.05	77,263.89	47,342.11	62.00
951-49000 OTHER FINANCING SOURCES					
951-00-00-0000-49122 From Library Private Trust Fund	15,190.00	0.00	15,190.00	0.00	100.00
951-00-00-0000-49191 Intra-entity fund transfer in	9,959.00	0.00	10,036.41	-77.41	100.78
Total OTHER FINANCING SOURCES	25,149.00	0.00	25,226.41	-77.41	100.31
Grand Total	11,051,431.00	1,004,479.43	7,772,656.05	3,278,774.95	70.33

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Expenditure Status Report  
 Library JPA  
 CITY OF SANTA CRUZ  
 2/1/2012 through 2/29/2012

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951 Library Joint Powers Authority

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Account Number	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Pct Used
951-52000 SERVICES						
951-36-50-3510-52135 Financial services - outside	7,644.00	0.00	7,748.52	131.48	-236.00	103.09
951-36-50-3510-52199 Other professional & technical services	110,000.00	0.00	10,000.00	0.00	100,000.00	9.09
951-36-50-3510-52240 Office equipment operation/maint	4,020.00	765.99	2,012.08	0.00	2,007.92	50.05
951-36-50-3510-52248 Software maintenance services	16,000.00	0.00	10,100.00	0.00	5,900.00	63.13
951-36-50-3510-52302 Travel and meetings	4,000.00	0.00	514.91	0.00	3,485.09	12.87
951-36-50-3510-52402 Telecommunications service - internal	42,600.00	3,550.00	28,400.00	0.00	14,200.00	66.67
951-36-50-3510-52403 Telecommunications service - outside	3,300.00	155.63	718.16	0.00	2,581.84	21.76
951-36-50-3510-52933 Liability insurance/surety bonds-outside	14,774.00	0.00	10,440.00	0.00	4,334.00	70.66
951-36-50-3510-52961 Dues and memberships	17,250.00	0.00	13,551.00	0.00	3,699.00	78.56
951-36-50-3510-52971 Printing and binding-internal	100.00	2.36	41.61	0.00	58.39	41.61
951-36-50-3510-52972 Printing and binding-outside	3,900.00	2,837.28	4,903.37	0.00	-1,003.37	125.73
951-36-50-3540-52135 Financial services - outside	550,000.00	36,676.49	353,214.92	0.00	196,785.08	64.22
951-36-51-3520-52131 Claims management services - outside	10,000.00	857.32	4,000.94	7,522.73	-1,523.67	115.24
951-36-51-3520-52244 Other equipment operation/maintenance	1,680.00	0.00	0.00	0.00	1,680.00	0.00
951-36-51-3520-52248 Software maintenance services	46,320.00	1,389.48	30,623.76	0.00	15,696.24	66.11
951-36-51-3520-52302 Travel and meetings	100.00	0.00	17.00	0.00	83.00	17.00
951-36-51-3520-52972 Printing and binding-outside	2,500.00	0.00	580.48	0.00	1,919.52	23.22
951-36-52-3530-52240 Office equipment operation/maint	1,500.00	0.00	248.00	0.00	1,252.00	16.53
951-36-52-3530-52244 Other equipment operation/maintenance	2,180.00	0.00	610.42	0.00	1,569.58	28.00
951-36-52-3530-52302 Travel and meetings	2,150.00	124.47	542.08	0.00	1,607.92	25.21
951-36-52-3530-52972 Printing and binding-outside	4,000.00	30.38	3,307.75	0.00	692.25	82.69
951-36-53-3515-52201 Water, sewer and refuse	66,640.00	4,166.40	37,122.87	0.00	29,517.13	55.71
951-36-53-3515-52211 Janitorial services	125,000.00	7,641.87	59,039.32	0.00	65,960.68	47.23
951-36-53-3515-52223 Vehicle operation charges - internal	111,000.00	5,702.39	41,746.58	0.00	69,253.42	37.61
951-36-53-3515-52246 Building and facility o & m - outside	183,800.00	5,435.99	111,794.15	12,317.17	59,688.68	67.53
951-36-53-3515-52247 Landscaping maintenance services	17,000.00	-225.00	1,324.94	0.00	15,675.06	7.79
951-36-53-3515-52261 Equipment, building and land rentals	312,530.00	24,088.11	207,505.12	7,400.00	97,624.88	68.76
951-36-53-3515-52302 Travel and meetings	150.00	0.00	0.00	0.00	150.00	0.00
951-36-53-3515-52932 Liability insurance/surety bonds-interna	17,050.00	1,420.83	11,366.64	0.00	5,683.36	66.67
951-36-53-3515-52933 Liability insurance/surety bonds-outside	36,506.00	0.00	25,714.00	0.00	10,792.00	70.44
951-36-54-3550-52199 Other professional & technical services	48,000.00	6,596.00	16,147.75	14,852.25	17,000.00	64.58

Expenditure Status Report  
 Library JPA  
 CITY OF SANTA CRUZ  
 2/1/2012 through 2/29/2012

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951 Library Joint Powers Authority

Account Number	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Pct Used
951-36-54-3550-52248	169,835.49	0.00	50,938.78	11,750.00	107,146.71	36.91
951-36-54-3550-52249	91,700.00	4,696.50	29,800.67	1,005.30	60,894.03	33.59
951-36-54-3550-52302	1,350.00	129.87	731.50	0.00	618.50	54.19
951-36-54-3550-52403	73,234.00	13,629.63	97,239.45	19,330.95	-43,336.40	159.18
951-36-55-3560-52304	40,606.00	366.53	34,373.80	0.00	6,232.20	84.65
951-36-55-3560-52306	9,000.00	0.00	0.00	0.00	9,000.00	0.00
951-36-55-3560-52960	3,000.00	0.00	0.00	0.00	3,000.00	0.00
951-36-55-3560-52972	6,500.00	368.90	2,930.92	0.00	3,569.08	45.09
<b>Total SERVICES</b>	<b>2,156,919.49</b>	<b>120,407.42</b>	<b>1,209,351.49</b>	<b>74,309.88</b>	<b>873,258.12</b>	<b>59.51</b>
951-53000						
951-36-50-3510-53101	8,000.00	195.89	2,382.08	0.00	5,617.92	29.78
951-36-50-3510-53102	2,400.00	506.98	2,435.88	0.00	-35.88	101.50
951-36-50-3510-53108	0.00	0.00	175.00	0.00	-175.00	0.00
951-36-51-3520-53106	769,289.00	84,429.23	503,961.61	0.00	265,307.39	65.51
951-36-51-3520-53107	75,000.00	92.28	6,346.90	0.00	68,653.10	8.46
951-36-51-3520-53112	113,550.00	4,423.69	31,379.78	12,402.47	69,767.75	38.56
951-36-52-3530-53102	12,300.00	683.47	8,907.97	444.26	2,947.77	76.03
951-36-52-3530-53109	6,630.00	0.00	2,615.70	0.00	4,014.30	39.45
951-36-53-3515-53108	2,370.00	684.65	1,603.73	0.00	766.27	67.67
951-36-53-3515-53113	18,360.00	1,542.90	8,624.73	0.00	9,735.27	46.98
951-36-53-3515-53311	167,748.00	4,601.52	105,407.79	0.00	62,340.21	62.84
951-36-53-3515-53312	26,133.00	2,413.65	16,238.73	0.00	9,894.27	62.14
951-36-54-3550-53110	22,000.00	692.67	14,885.61	4,000.00	3,114.39	85.64
<b>Total SUPPLIES</b>	<b>1,223,760.00</b>	<b>100,247.13</b>	<b>704,965.51</b>	<b>16,846.73</b>	<b>501,947.76</b>	<b>58.98</b>
951-54000						
951-36-50-3510-54990	3,445.00	0.00	658.90	0.00	2,786.10	19.13
951-36-52-3530-54990	7,000.00	60.00	3,195.90	0.00	3,804.10	45.66
951-36-55-3531-54990	0.00	209.00	1,672.00	0.00	-1,672.00	0.00
951-36-55-3560-54990	18,927.52	815.52	16,419.35	0.00	2,508.17	86.75
<b>Total OTHER MATERIALS AND SERVICES</b>	<b>29,372.52</b>	<b>1,084.52</b>	<b>21,946.15</b>	<b>0.00</b>	<b>7,426.37</b>	<b>74.72</b>
951-56000						
951-56000						
<b>Total OTHER CHARGES</b>						

Expenditure Status Report  
 Library JPA  
 CITY OF SANTA CRUZ  
 2/1/2012 through 2/29/2012

951 Library Joint Powers Authority

Account Number	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Pct Used
951-36-52-3530-56995	2,000.00	106.50	1,161.00	0.00	839.00	58.05
Total OTHER CHARGES	2,000.00	106.50	1,161.00	0.00	839.00	58.05
951-57000						
CAPITAL OUTLAY						
951-36-55-3560-57401	25,000.00	0.00	6,972.47	0.00	18,027.53	27.89
Total CAPITAL OUTLAY	25,000.00	0.00	6,972.47	0.00	18,027.53	27.89
951-58000						
DEBT SERVICE						
951-36-50-3540-58140	40,961.00	0.00	43,008.92	0.00	-2,047.92	105.00
951-36-50-3540-58190	40,293.00	0.00	40,293.07	0.00	-0.07	100.00
951-36-50-3540-58240	19,600.00	0.00	17,508.96	0.00	2,091.04	89.33
951-36-50-3540-58290	3,500.00	0.00	414.21	0.00	3,085.79	11.83
Total DEBT SERVICE	104,354.00	0.00	101,225.16	0.00	3,128.84	97.00
951-59000						
OTHER FINANCING USES						
951-00-00-0000-59191	148,668.00	73,668.00	73,668.00	0.00	75,000.00	49.55
Total OTHER FINANCING USES	148,668.00	73,668.00	73,668.00	0.00	75,000.00	49.55
<b>Grand Total</b>	<b>3,690,074.01</b>	<b>295,513.57</b>	<b>2,119,289.78</b>	<b>91,156.61</b>	<b>1,479,627.62</b>	<b>59.90</b>

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Expenditure Status Report  
 Library Personnel Costs  
 CITY OF SANTA CRUZ  
 2/1/2012 through 2/29/2012

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951 Library Joint Powers Authority

36 Library (JPA)

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Account Number	PERSONNEL SERVICES	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Pct Used
Total	Regular-full time	4,237,245.00	239,077.41	2,438,446.62	0.00	1,798,798.38	57.55
Total	Regular part time	747,294.00	77,883.61	512,022.16	0.00	235,271.84	68.52
Total	Overtime	3,000.00	410.03	2,241.31	0.00	758.69	74.71
Total	Termination pay	0.00	4,001.05	76,975.17	0.00	-76,975.17	0.00
Total	Temporary	555,298.00	44,046.65	358,057.51	0.00	197,240.49	64.48
Total	Other pay	0.00	77.01	2,503.29	0.00	-2,503.29	0.00
Total	Special vacation pay	4,400.00	0.00	19,351.73	0.00	-14,951.73	439.81
Total	Special sick leave pay	0.00	0.00	0.00	0.00	0.00	0.00
Total	Vehicle-phone-data allowance	1,800.00	155.00	1,280.00	0.00	520.00	71.11
Total	Salary savings	0.00	0.00	0.00	0.00	0.00	0.00
Total	Retirement contribution	754,846.00	49,465.26	455,316.70	0.00	299,529.30	60.32
Total	F.I.C.A.	0.00	2,034.20	17,592.11	0.00	-17,592.11	0.00
Total	Group health insurance	1,119,068.00	73,319.65	656,635.47	0.00	462,432.53	58.68
Total	Group dental insurance	107,422.00	6,386.84	60,642.95	0.00	46,779.05	56.45
Total	Vision insurance	18,242.00	1,031.55	10,124.05	0.00	8,117.95	55.50
Total	Medicare insurance	64,309.00	4,791.82	44,970.34	0.00	19,338.66	69.93
Total	Employer-paid COBRA	0.00	0.00	0.00	0.00	0.00	0.00
Total	Group life insurance	2,744.00	171.93	1,645.60	0.00	1,098.40	59.97
Total	Disability insurance	73,078.00	2,631.17	24,542.61	0.00	48,535.39	33.58
Total	Unemployment insurance	23,622.00	1,797.47	16,450.06	0.00	7,171.94	69.64
Total	Workers' compensation	208,640.00	15,102.96	139,082.60	0.00	69,557.40	66.66
Total	Intrafund labor - credit	0.00	0.00	0.00	0.00	0.00	0.00

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03/21/2012  
Periods: 8 through 8

**Expenditure Status Report**  
Library Personnel Costs  
CITY OF SANTA CRUZ  
2/1/2012 through 2/29/2012

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Grand Total	7,921,008.00	522,383.61	4,837,880.28	0.00	3,083,127.72	61.08
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Library - Fund 951  
Month-End Cash Balances

	July	August	September	October	November	December	January	February	March	April	May	June
FY 2012 Pooled cash	894,190.39	994,042.19	759,933.36	925,760.72	911,230.93	1,083,486.87	1,323,144.44	2,379,377.39	*			
FY 2011 Pooled cash	72,541.96	250,794.12	312,607.59	1,397,052.22	604,129.15	539,173.69	1,586,968.17	875,122.12	1,076,342.48	1,227,629.78	1,164,416.13	806,095.53
FY 2010 Pooled cash	(908,343.59)	(797,637.50)	(752,924.76)	(597,787.31)	(558,459.72)	(707,533.76)	290,892.95	(390,345.22)	(62,933.28)	15,984.66	25,912.58	120,299.01
FY 2009 Pooled cash	(1,028,955.46)	(397,327.61)	(356,999.20)	252,949.44	(714,416.36)	(711,714.61)	(812,054.05)	(688,015.42)	(595,048.05)	(543,669.74)	222,502.65	(667,431.15)
FY 2008 Pooled cash	555,177.28	285,993.39	362,222.74	452,678.88	381,688.89	348,644.68	414,873.10	180,026.54	267,117.50	988,379.63	877,239.75	65,274.00
FY 2007 Pooled cash	378,173.37	260,209.81	(47,055.07)	77,967.52	141,276.32	331,082.13	1,134,207.34	1,970,284.04	582,080.73	688,990.25	693,402.17	260,082.00

\* We received 2 checks from the County in February.  
Will see the effect in March.

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California Public Employees' Retirement System  
P.O. Box 942715  
Sacramento, CA 94229-2715  
(888) CalPERS (or 888-225-7377)  
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www.calpers.ca.gov

Reference No.:  
Circular Letter No.: 200-005-12  
Distribution: VI, XII, XVI  
Special:

## Circular Letter

February 17, 2012

TO: PUBLIC AGENCY EMPLOYERS

SUBJECT: POTENTIAL CHANGES TO EMPLOYERS RATES DUE TO BOARD  
REVIEW OF ECONOMIC ASSUMPTIONS

The purpose of this Circular Letter is to inform you that the CalPERS Pension and Health Benefits Committee will consider changes to actuarial economic assumptions at its March 13, 2012 meeting. Assumption changes, if adopted, could have a significant impact on your employer rate. This Circular Letter is being sent out to alert Public Agency Employers of this upcoming agenda item in hope that employers will review it when it becomes available and comment on it as appropriate.

The assumptions that will be reviewed are: price inflation, real wage inflation and the real discount rate. If assumption changes are adopted, Public Agency Employer rates will change for the 2013-2014 fiscal year.

### Background

In order to keep assumptions current, it is essential to review actuarial assumptions periodically. The price inflation assumption is currently 3%. It was last reviewed in 2004. The real wage inflation assumption is currently 0.25% and was last reviewed in 1998. The real discount rate assumption was last reviewed in March 2010 and is currently 4.75%, which added to the price inflation results in a discount rate of 7.75%.

### Next Steps

Staff is expecting to recommend changes to some or all of these assumptions and they will be presented to the CalPERS Pension and Health Benefits Committee on March 13, 2012. A hypothetical analysis was performed on the impact of potential assumption changes. The following table show the potential impact on employer contribution rates for a typical Miscellaneous and Safety Plan when reducing the discount rate and price inflation assumptions and increasing the wage inflation assumption.

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**Example: Total Rate Increases For Various Assumption Changes**

	Miscellaneous Plan	Safety Plan
Real Discount Rate (A decrease of .25%) From 4.75% to 4.5%	2% to 3% of Payroll	4% to 5% of Payroll
Price Inflation (A decrease of .25%) From 3% to 2.75%	1% to 2% of Payroll	2% to 3% of Payroll
Wage Inflation (An increase of .25%) From 0.25% to 0.5%	0.5% to 1.0% of Payroll	1.0% to 1.5% of Payroll
All Three Changes Combined	4% to 5% of Payroll	7% to 8% of Payroll

The staff agenda item and recommendations will be posted on the CalPERS website approximately one week prior to the meeting. If you wish to comment on the agenda item we urge you to do so in writing or at the meeting. If any assumption changes are adopted, the true impact for public agencies will be known when the actuarial office has completed the June 30, 2011 actuarial valuations for all employers in the fall of 2012. The June 30, 2011 valuations will set the employer rates that take effect on July 1, 2013.

If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or 888-225-7377).

ALAN MILLIGAN  
Chief Actuary

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