

# Employer Contribution Rate History

ATTACHMENT 1

The table below provides a history of the contribution rates for the various State plans and the Schools plan. In cases where the contribution rate changed during the course of a fiscal year, the entry shown is the weighted average of the rates effective during the fiscal year.

## Average Employer Rate for the Fiscal Year

Fiscal Year	State Miscellaneous		State Industrial	State Safety	State Officers and Firefighters	California	
	Tier 1	Tier 2				Highway Patrol	Schools
1979-80	19.188%		20.040%	20.106%		31.373%	12.515%
1980-81	19.247%		20.047%	20.145%		31.440%	13.119%
1981-82	19.563%		20.263%	20.409%		31.995%	13.020%
1982-83	13.559%		15.013%	16.381%		19.555%	12.045%
1983-84	18.262%		18.884%	20.615%		24.306%	12.378%
1984-85	17.604%	17.604%	19.976%	20.518%	24.310%	25.292%	12.378%
1985-86	17.604%	17.604%	19.749%	20.518%	20.578%	24.868%	11.969%
1986-87	15.450%	15.450%	16.638%	22.522%	17.171%	22.150%	11.015%
1987-88	15.202%	15.038%	15.332%	19.229%	16.431%	20.859%	9.718%
1988-89	13.464%	13.413%	16.626%	17.296%	16.200%	18.453%	8.454%
1989-90	13.224%	13.218%	16.783%	17.424%	16.200%	18.318%	8.210%
1990-91	12.878%	6.975%	16.720%	17.916%	15.702%	18.090%	7.282%
1991-92	11.804%	3.986%	13.399%	17.376%	17.386%	21.721%	8.162%
1992-93	10.266%	3.391%	11.995%	15.698%	15.560%	17.074%	7.273%
1993-94	9.939%	5.005%	11.765%	15.485%	15.202%	16.940%	7.066%
1994-95	9.934%	5.947%	10.597%	13.927%	12.817%	15.552%	3.849%
1995-96	12.350%	8.326%	8.981%	14.228%	14.350%	14.778%	6.979%
1996-97	13.106%	9.345%	9.260%	14.656%	15.401%	15.851%	7.787%
1997-98	12.721%	9.822%	9.048%	13.754%	15.270%	15.515%	6.172%
1998-99	8.541%	6.437%	4.583%	9.440%	9.591%	13.541%	0.000%
1999-00	1.491%	0.000%	0.026%	7.487%	0.000%	13.345%	0.000%
2000-01	0.000%	0.000%	0.026%	6.808%	2.729%	13.711%	0.000%
2001-02	4.166%	0.036%	0.350%	12.923%	9.638%	16.897%	0.000%
2002-03	7.413%	2.813%	2.858%	17.055%	13.925%	23.076%	2.894%
2003-04	14.843%	10.265%	11.099%	21.930%	20.325%	32.653%	10.420%
2004-05	17.022%	13.216%	16.386%	20.773%	23.841%	33.434%	9.952%
2005-06	15.942%	15.890%	17.147%	19.026%	23.563%	26.396%	9.116%
2006-07	16.997%	16.778%	17.861%	19.294%	24.505%	31.463%	9.124%
2007-08	16.633%	16.565%	17.345%	18.835%	25.552%	32.212%	9.306%
2008-09	16.574%	16.470%	17.236%	18.411%	26.064%	32.149%	9.428%
2009-10	16.917%	16.737%	17.251%	18.099%	25.848%	28.438%	9.709%

Figure SUM-05  
**2010-11 Total Expenditures by Agency**  
 (Dollars in Millions)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Bond Funds</u>	<u>Totals</u>
Legislative, Judicial, Executive	\$2,905	\$2,844	\$434	\$6,183
State and Consumer Services	599	748	24	1,371
Business, Transportation & Housing	765	7,550	3,686	12,001
Natural Resources	2,037	2,503	1,438	5,978
Environmental Protection	65	1,114	714	1,893
Health and Human Services	22,859	11,148	278	34,285
Corrections and Rehabilitation	8,981	48	-	9,029
K-12 Education	35,133	81	684	35,898
Higher Education	11,794	36	1,098	12,928
Labor and Workforce Development	58	383	-	441
General Government:				
Non-Agency Departments	588	1,612	2	2,202
Tax Relief/Local Government	534	3,646	-	4,180
Statewide Expenditures	-2,914	-856	-	-3,770
<b>Total</b>	<b>\$83,404</b>	<b>\$30,857</b>	<b>\$8,358</b>	<b>\$122,619</b>

Note: Numbers may not add due to rounding.

**Low, Dave**

**From:** Macht, Pat [Pat\_Macht@CalPERS.CA.GOV]  
**Sent:** Monday, February 01, 2010 12:01 PM  
**To:** Low, Dave  
**Subject:** Fw: Chart

Here ya go

**From:** Fong, Edward  
**To:** Macht, Pat  
**Sent:** Mon Feb 01 11:58:37 2010  
**Subject:** FW: Chart

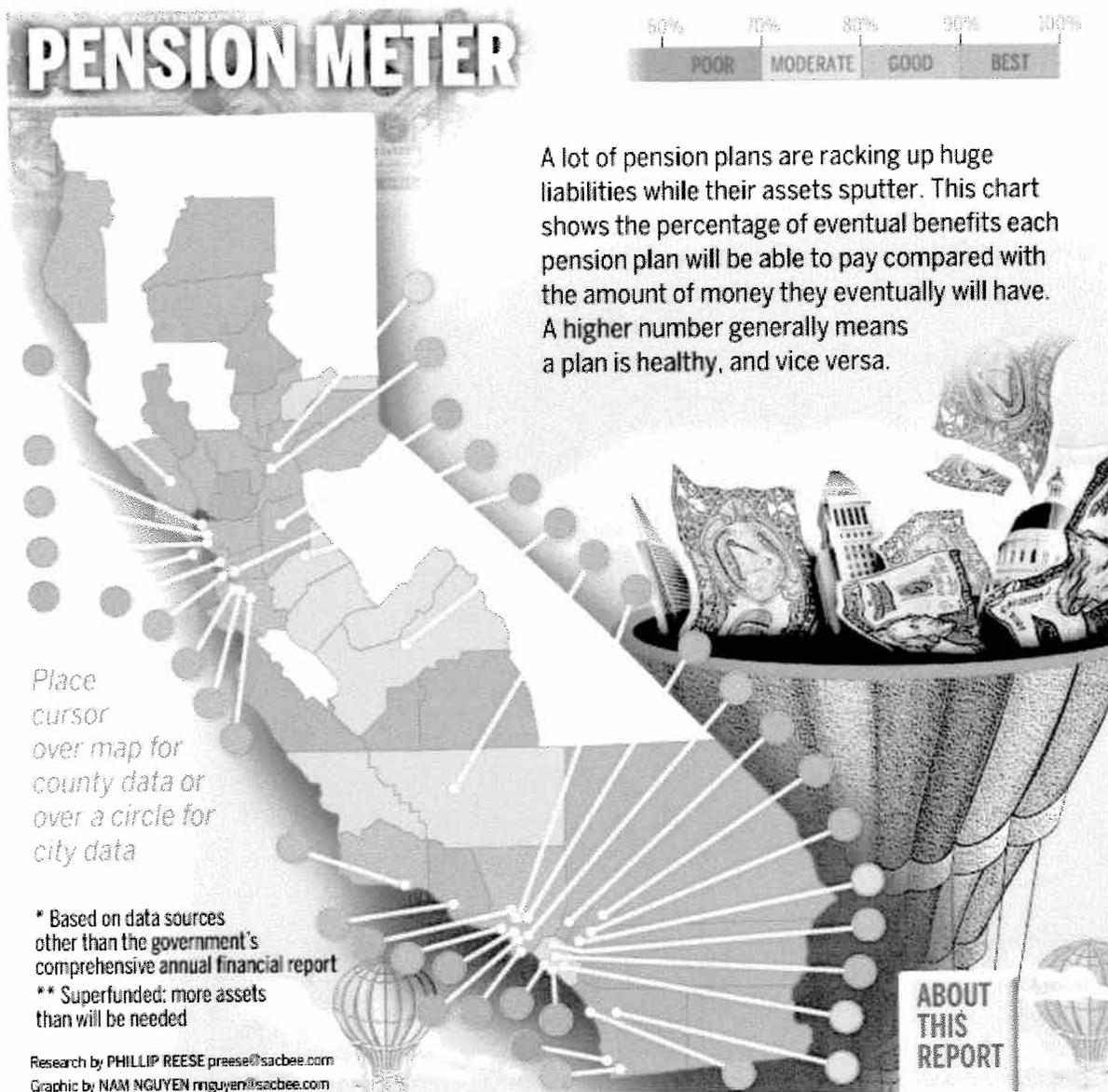
Pat, this table is from our May 2009 BPAC agenda item that set state employer rates for the 2009-10 year. It has a breakdown of rates and contribution amounts for each state employee category.

	2008-2009 Fiscal Year		2009-2010 Fiscal Year	
	Employer Contribution	Employer Rate	Employer Contribution	Employer Rate
State Miscellaneous Tier 1	\$1,507,108,202	16.574%	\$1,659,842,332	16.917%
State Miscellaneous Tier 2	71,899,425	16.470%	71,927,813	16.737%
State Industrial	75,904,718	17.236%	89,971,498	17.251%
State Safety	281,762,944	18.411%	346,351,430	18.099%
State Police Officers & Firefighters	891,422,825	26.064%	927,608,857	25.848%
California Highway Patrol	197,083,258	32.149%	191,870,528	28.438%
<b>Total State</b>	<b>\$3,025,181,372</b>		<b>\$3,287,572,458</b>	
Schools	966,316,743	9.428%	1,081,377,863	9.709%

3% OF Budget @ #105B  
 @ #80B

# PENSION METER

Published: Saturday, Apr. 10, 2010



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## FACTS AT A GLANCE: GENERAL

MAY 2010

*Facts at a Glance is a monthly compilation of information of interest to Board Members, staff, and the general public. Information is current as of March 31, 2010, unless otherwise noted. Every effort has been made to verify the accuracy of the information, which is intended for general use only. Please direct any questions and comments to the Public Affairs Office at (916) 795-3991.*

### VISION STATEMENT

Pride in our service; providing confidence for your future.

### MISSION

Our mission is to advance the financial and health security for all who participate in the System. We will fulfill this mission by creating and maintaining an environment that produces responsiveness to all those we serve.

### BACKGROUND

The California Public Employees' Retirement System manages retirement benefits for more than 1.6 million California public employees, retirees, and their families. As of June 30, 2009, we provided pension benefits to 1,134,397 active and inactive members and 492,513 retirees, beneficiaries, and survivors. CalPERS membership is divided approximately in thirds among current and retired employees of the state, schools, and participating public agencies.

CalPERS is a defined benefit retirement plan. It provides benefits based on a member's years of service, age, and highest compensation. In addition, benefits are provided for disability and death, with payments in some cases going to survivors or beneficiaries of eligible members. Approximately half of our members pay into Social Security.

CalPERS manages health benefits for nearly 1.3 million members. It offers members and contracting employers three health maintenance organization (HMO) plans, three preferred provider organization (PPO) plans, and three special PPOs for members who belong to specific employee associations.

CalPERS was established by state law in 1932 to provide retirement benefits for state employees. In 1939, public agency and classified school employees were allowed to participate. In 1962, state law authorized CalPERS to provide health benefits to state employees. The health benefits program was expanded in 1967 to include public agency and school employees. In 1995, CalPERS began offering a supplemental deferred compensation retirement savings plan to members of public agencies that contract for it, and long-term care insurance on a not-for-profit basis.

#### INCOME TOTALS OVER THE PAST 10 FISCAL YEARS

YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	INVESTMENT AND OTHER INCOME
2008-09	\$3,882,355,340	\$6,912,376,563	-\$55,210,379,600
2007-08	\$3,512,075,000	\$7,242,802,000	-\$12,499,110,000
2006-07	3,262,699,076	6,442,383,868	40,748,261,709
2005-06	3,080,878,521	6,095,029,424	20,842,816,432
2004-05	3,176,781,000	5,774,120,000	21,894,201,000
2003-04	2,266,445,429	4,261,347,422	24,272,572,596
2002-03	1,887,925,497	1,925,043,858	5,482,731,568
2001-02	2,154,742,532	800,964,553	-9,699,792,798
2000-01	1,766,256,113	321,618,826	-12,248,341,399
1999-00	1,751,290,172	362,614,344	16,582,657,910
1998-99	1,522,507,527	1,598,316,666	17,622,526,922

#### NUMBER OF EMPLOYEES

2,315 (budgeted positions as of July 1, 2009)

#### TOTAL CalPERS ADMINISTRATIVE EXPENDITURES

2004-05 (actual)	\$245,315,739
2005-06 (actual)	\$247,347,429
2006-07 (actual)	\$277,859,581
2007-08 (actual)	\$315,113,262
2008-09 (actual)	\$316,303,325
2009-10 (budgeted)	\$329,075,000

#### BOARD OF ADMINISTRATION

13 members: 6 elected / 3 appointed / 4 statutory-designated members

**\*6 Members Elected by:**

All members	Kurato Shimada (2014) JJ Jelincic (2014)
Active state members	George Diehr, Vice President (2011)
Active school members	Rob Feckner, President (2011)
Active public agency members	Priya Sara Mathur (2011)
Retired members	Henry Jones (2012)

**\*3 Appointed Members:**

Governor appointees	Tony Oliveira (2011) Dan Dunmoyer (2013)
Speaker & Senate Rules Committee appointee	Louis F. Moret (2012)

**4 Statutory Designated Members:**

State Treasurer	Bill Lockyer
State Controller	John Chiang
Director of Dept. of Personnel Administration	Debbie Endsley
Member designated by the State Personnel Board	Patricia Clarey

*\*All board member terms expire in January of specified years.*

#### CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST FUND

The California Employers' Retiree Benefit Trust Fund was established by CalPERS in March 2007 to provide California public agencies with a cost-efficient, professionally managed investment vehicle for prefunding other post-employment benefits (OPEB) such as retiree health benefits. Prefunding reduces an agency's long-term OPEB liability. Participating agencies can use investment earnings to pay future OPEB liabilities, similar to the CalPERS pension fund in which three out of four dollars paid in retirement benefits come from investment earnings.

ASSETS UNDER MANAGEMENT IN TRUST FUND (AS OF MARCH 31, 2010): **\$1.236 BILLION.**

PARTICIPATING PUBLIC AGENCIES: 227

#### PUBLIC AGENCIES THAT JOINED THE TRUST FUND IN MARCH 2010

Brooktrails Township Community Service District, Butte-Glenn Community College District, Central Marin Sanitation Agency, Housing Authority of the County of Santa Clara, Mt. View Sanitary District, San Francisco Bay Area Water Emergency Transportation Authority.

#### ACTUARIAL INFORMATION (AS OF JUNE 30, 2008)

Each year CalPERS actuaries calculate a funded ratio—the ratio of market value of assets in the fund to the liabilities for each retirement plan. The funded ratios vary from year to year but are expected to approach 100 percent in the long run.

#### Funded Status of Retirement Plans by Member Category

Member Category	6/30/03	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08
State	76.4%	82.9%	85.5%	88.6%	96.6%	84.9%
School	83.4%	91.4%	96.2%	98.7%	107.8%	93.8%
Public Agency	80.7%	87.6%	90.2%	92.7%	102.0%	89.6%

#### Notes

1. The funded ratios are based on the Market Value of Assets.
2. There were five plans in the state category with funded ratios between 79 percent and 91 percent as of June 30, 2008. The funded ratio for the state is an aggregate of all five plans.
3. As of June 30, 2007, there were 2,012 plans with active members in the public agency category. There were 1,564 plans in one of nine risk pools and 448 public agencies in non-pooled plans. For non-pooled plans: about 1 percent of the plans were below 75 percent funded; about 44 percent of the plans were between 75 and 100 percent

funded; and approximately 55 percent of the plans were 100 percent funded or better. All risk pools were between 95 percent and 110 percent funded.

#### CalPERS eSUBSCRIPTIONS

**CalPERS eNews** is a free twice monthly newsletter of significant CalPERS activities that is e-mailed to subscribers in the first and third weeks of each month. Subscribers also receive eAlerts about major developments or upcoming events.

**CalPERS ePress** delivers CalPERS news releases instantaneously via e-mail directly to subscribers.

**CalPERS eAgenda** notifies subscribers via e-mail of CalPERS Board agendas as soon as they are posted on our Web site.

**CalPERS Employer eBulletin** provides subscribers with the latest developments and information of interest to contracting employers.

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You can sign up for these online services at the eSubscriptions page of the CalPERS On-Line Web site at [www.calpers.ca.gov](http://www.calpers.ca.gov).

#### CalPERS CHRONOLOGY

- 1932 — CalPERS established by State legislation
- 1932 — Became operational for retirement benefits for State employees
- 1939 — Public agencies and classified school employees allowed to contract for retirement benefits
- 1962 — Public Employees' Medical & Hospital Care Act allows CalPERS to provide health insurance benefits for State employees
- 1967 — Health Program expanded to include local public employees on a contract basis
- 1984 — CalPERS initiates corporate governance reform program
- 1984 — Proposition 21 approved by voters allows CalPERS to invest more than 25 percent of fund portfolio in stocks
- 1990 — Long-Term Care Act allows CalPERS to offer LTC insurance to CalPERS, STRS, and County Employees' Retirement Law of 1937 members
- 1992 — Proposition 162 approved by voters; CalPERS Board given absolute and exclusive authority over the administration and investment of pension funds

- 1995 — Long-Term Care Program created and offered to all California public employees and retirees
- 1996 — CalPERS pension fund reaches \$100 billion on May 14, 1996
- 1996 — CalPERS launches International Corporate Governance Program
- 1997 — CalPERS launches CalPERS On-Line Web site
- 1997 — CalPERS adopts corporate governance principles for United Kingdom
- 1997 — CalPERS increases public disclosure of decision making
- 1998 — CalPERS adopts U.S. corporate governance standards
- 1998 — CalPERS adopts strategy for private equity investments
- 1998 — CalPERS Board sponsors “retirement equity” legislation
- 1999 — CalPERS launches corporate governance Web site; draws worldwide interest
- 2000 — CalPERS designates May “Retirement Planning Month”
- 2001 — CalPERS earmarks \$457 million to 11 California private equity firms; investments to target California’s under-served markets
- 2001 — CalPERS breaks ground on Headquarters Expansion Project
- 2002 — CalPERS launches financial market reform initiative with principles and action plan to prevent future Enron-type accounting abuses.
- 2003 — CalPERS calls on “expatriate” firms to return to U.S.
- 2003 — CalPERS adopts plan to crack down on executive compensation abuses
- 2003 — CalPERS launches eNews service; also adds “Press Room” to Web site
- 2003 — CalPERS sues NYSE for trading specialist abuses that hurt investors
- 2004 — CalPERS launches new improved CalPERS On-Line Web site on March 27
- 2004 — CalPERS initiates Environmental Technology Investment Program
- 2004 — CalPERS adopts reduced hospital network, regional health plan pricing
- 2004 — CalPERS gets AAA rating from Fitch Ratings
- 2005 — CalPERS adopts employer rate “smoothing” policy to reduce rate volatility
- 2005 — CalPERS headquarters expansion completed in October
- 2005 — CalPERS pension fund reaches \$200 billion milestone on November 21
- 2007 — CalPERS launches retiree health benefit (OPEB) prefunding plan on March 1
- 2007 — CalPERS celebrates 75th anniversary
- 2007 — CalPERS launches my|CalPERS Web site for members
- 2008 — CalPERS creates new inflation-linked asset class to invest in commodities, forestland, inflation-linked bonds, and infrastructure
- 2008 — CalPERS launches online member education classes
- 2009 — CalPERS adopts policy on disclosure of placement agent fees
- 2009 — CalPERS alters asset allocation given extraordinary market conditions, raises private equity, cash allocation targets

2009 — CalPERS adopts special employer smoothing process for public agency and school employers in light of the extraordinary market downturn

2009 — CalPERS launches CalPERSResponds.com

2009 — CalPERS launches social media presence on Facebook, Twitter and YouTube

2009 — CalPERS adopts policy on placement agent disclosure





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## FACTS AT A GLANCE: RETIREMENT & MEMBERSHIP

MAY 2010

*Facts at a Glance is a monthly compilation of information of interest to Board Members, staff, and the general public. Information is current as of March 31, 2010, unless otherwise noted. Every effort has been made to verify the accuracy of the information, which is intended for general use only. Please direct any questions and comments to the Public Affairs Office at (916) 795-3991.*

### OVERALL MEMBERSHIP (AS OF JUNE , 2009)

Retirees/survivors/beneficiaries receiving a monthly allowance:	492,513
Active and inactive members:	1,134,397
Total Members:	1,626,910

### MEMBERSHIP INFORMATION (ACTIVE/INACTIVE MEMBERS AS OF JUNE 30, 2009)

State employees	31 percent
School employees	38 percent
Local public agency employees	31 percent

- \$3.8 billion in employee contributions (year ending June 30, 2009)
- \$6.9 billion in employer contributions (year ending June 30, 2009)

### RETIREE INFORMATION (AS OF JUNE 30, 2009)

Average monthly service retirement allowance all retirees:	\$2,101
Average years of service all retirees:	20.1
Average monthly service retirement for school miscellaneous members:	\$1,134
Average years of service school retirees:	16.7
Average monthly service retirement for State miscellaneous members:	\$2,396
Average years of service State retirees:	22.9
Average age at retirement all members:	Service: 60
	Disability: 50
	Industrial disability: 46

**78 percent** of all service retirees receive less than \$36,000 a year or less.

**86 percent** of CalPERS retirees, survivors, and beneficiaries live in California

**13** retirement formulas; **57** optional contract provisions

**25,150** new retirees during 2008/09 fiscal year

**\$11.85** billion in benefits paid year ending June 30, 2009

## RETIREE INFORMATION BY EMPLOYER (as of June 30, 2009)

Fiscal Year	Employer			Total	Year Over % Change for Total Roll Placements
	State	Schools	Public Agency		
FY 2000-01	7,760	6,373	5,156	19,289	
FY 2001-02	6,878	6,160	5,233	18,271	-5.3%
FY 2002-03	6,487	6,935	6,480	19,902	8.9%
FY 2003-04	7,223	8,865	7,297	23,385	17.5%
FY 2004-05	9,311	8,011	8,740	26,062	11.4%
FY 2005-06 <sup>1</sup>	8,717	8,104	7,786	24,607	-5.6%
FY 2006-07	7,528	7,581	7,834	22,943	-6.8%
FY 2007-08	8,105	7,348	7,847	23,300	1.6%
FY 2008-09	8,502	7,690	8,366	24,558	5.4%

<sup>1</sup> Estimate

The October 2005 report was unavailable. The estimated number for October 2005 roll placements is based on historical data.

A roll placement indicates when a retiree was placed on the roll to receive his/her retirement check. There is a lag of approximately one month from the retirement date to the roll placement date.

## TOTAL NUMBER OF LOCAL PUBLIC AGENCIES/SCHOOL DISTRICTS

<b>Total (as of June 30, 2009)</b>	<b>3,026</b>
Public agencies	1,568
School districts	1,458

## CalPERS MEMBER HOME LOAN PROGRAM

The CalPERS Member Home Loan Program offers a variety of loan options for purchasing or refinancing owner-occupied, primary residences in all 50 states.

## Highlights of the CalPERS Member Home Loan Program (as of March 31, 2009)

- Since inception of the Home Loan Program in 1981, over 135,257 real estate loans have been made.
- The dollar volume of the real estate loans made since inception is over \$22 billion.
- Funded 3,022 real estate loans totaling approximately \$715,974,974 for the fiscal year beginning July 1, 2008.
- Number of lending institutions is 30 with more than 528 branch locations.
- The program was introduced nationwide in January 1999. More than 1,468 real estate loans have been funded outside the State of California.

## DEFERRED COMPENSATION

### CalPERS 457 Plan

Begun in 1995, this plan offers an additional retirement savings method to employees of public agencies that contract for it. In this plan, employees may defer a portion of salary from income tax and direct the savings into CalPERS-managed investment funds of their own choosing. The earnings accumulate tax-free, until the money is distributed back to the employee as taxable income during retirement.

The investment options are designed by CalPERS to be suitable for retirement savings and are broadly diversified across a range of investment categories. Currently, there are 17 different investment options. In addition, the program offers a brokerage account through which participants may invest in over 4,000 mutual funds.

- 29,371 participants (as of March 31, 2010)
- \$842.1 million in total assets (as of March 31, 2010)
- 703 agencies in the plan (as of March 31, 2010)

### PEACE OFFICERS' AND FIREFIGHTERS' (POFF) DC PLAN

The California Correctional Peace Officers' Association and the State of California negotiated the POFF DC Plan during the 1998/1999 fiscal year. This employer-provided benefit supplements State Department of Corrections employees CalPERS pension benefit.

The State of California contributes each pay period. The contribution amount is currently two percent (2%) of base pay. There are no employee contributions to this plan.

- 40,211 participants (as of March 31, 2010)
- \$419.8 million in total assets (as of March 31, 2010)

### SUPPLEMENTAL CONTRIBUTIONS PROGRAM

CalPERS established this defined contribution plan as a retirement savings vehicle for State of California employees. Contributions are made after tax and earnings are tax deferred. Contributions can be made either by payroll deduction or in cash payments. Contributions can be invested in the same investment fund line up as the CalPERS 457 plan or in the Supplemental Contributions Plan Fund.

- 691 participants (as of March 31, 2010)
- \$19.6 million in total contributions invested (as of March 31, 2010)
- \$21,220 total monthly contributions (as of March 31, 2010)

**LEGISLATORS' RETIREMENT SYSTEM**

Available to members of the California Legislature serving prior to November 7, 1990; all elected constitutional officers; and legislative statutory officers. (Closed to Legislators after November 7, 1990, by virtue of an initiative passed by the electorate.)

Active Membership: (as of April 30, 2010)

Members of the Legislature:	2
Constitutional officers:	7
Legislative statutory officers:	4
<b>Total:</b>	<b>13</b>

Inactive Membership: (as of April 30, 2010)

Members of the Legislature:	13
Constitutional officers:	10
Legislative statutory officers:	0
<b>Total:</b>	<b>23</b>

Retirees, Survivors, & Beneficiaries: (as of March 31, 2010)

Members of the Legislature:	224
Constitutional officers:	27
Legislative statutory officers:	5
<b>Total:</b>	<b>256</b>

## Benefit Payments

Fiscal year to date (as of April 30, 2010)	\$6,490,114
Fiscal year 2008/09	\$7,737,477

**JUDGES' RETIREMENT SYSTEM**

Provides benefits for State Supreme and Appellate Court justices, Superior Court judges, and Municipal Court judges appointed or elected before November 9, 1994.

Membership (as of October 31, 2009)

Active:	507
Deferred retirement:	58
<b>Total:</b>	<b>565</b>

Retirees, Survivors & Beneficiaries (as of April 30, 2010)	1,838
Benefit Payments fiscal year to date (as of April 30, 2010)	\$147,599,883
Fiscal year 2008/09	\$172,038,594

**JUDGES' RETIREMENT SYSTEM II**

Established in 1994, JRS II provides benefits for State Supreme and Appellate Court justices, Superior Court judges, and Municipal Court judges appointed or elected after November 9, 1994.

Active Members: (as of October 31, 2009)	1134
Retirees, Survivors & Beneficiaries: (as of April 30, 2010)	19
Benefit Payments fiscal year to date (as of April 30, 2010)	\$1,136,205
Fiscal year 2008/09	\$1,251,926





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## FACTS AT A GLANCE: HEALTH

MAY 2010

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### VISION STATEMENT

CalPERS will lead in the promotion of health and wellness of our members through best-in-class, data-driven, cost-effective, quality, and sustainable health options for our members and employers.

We will engage our members, employers, and other stakeholders as active partners in this pursuit and be a leader for health care reform both in California and nationally.

### CalPERS HEALTH PROGRAM

- Covers nearly 1.3 million active and retired state and local government public employees and their family members
- Purchases health benefits for the State of California and more than 1,100 local and government agency and school employers
- Largest purchaser of public employee health benefits in California, and the second largest public purchaser in the nation after the federal government
- Will spend more than \$5.7 billion in 2009 to purchase health benefits

### HEALTH CARE PLANS

- Three Health Maintenance Organization (HMO) plans – Blue Shield of California (“Blue Shield”) NetValue, Blue Shield Access+, and Kaiser Permanente
- Three self-funded Preferred Provider Organization (PPO) plans – PERS Select, PERS Choice, and PERSCare
- Three plans for Association members – California Association of Highway Patrolmen Health Benefits Trust (CAHP), California Correctional Peace Officers Association (CCPOA), and Peace Officers Research Association of California (PORAC)

#### CalPERS HEALTH PROGRAM MAJOR INITIATIVES

Beginning in 2004, the CalPERS Board launched a whole new series of innovative approaches to improve health outcomes for members and contain cost increases where appropriate. These efforts included:

- Launching the Partnership for Change to promote hospital performance transparency, manage hospital costs, and ensure a high-value hospital network
- Removing the highest cost hospitals from the Blue Shield of California network
- Adjusting premiums for public agencies on a regional basis to remain competitive in regional markets
- Encouraging the use of generic drugs and giving members incentives to order prescriptions by mail when practical
- Negotiating innovative, multi-year contracts (Blue Shield, Blue Cross of California, Medco)
- Developing disease management programs
- Implementing Centers of Expertise
- Developing incentives for members to get and stay healthy
- Modifying co-payments for 2008 to encourage members to receive the right care at the right place
- Eliminating a small, regional HMO plan
- Withdrawing Blue Shield's HMO from the four costliest rural counties
- Adding new lower-cost health plans (Blue Shield NetValue and PERS Select)

CalPERS will continue to engage the health care marketplace, partnering with our health plans to drive innovation, ensure quality, and contain costs.

#### NATIONAL HEALTH CARE REFORM

CalPERS believes the passage of this legislation will provide significant benefits to our members and employers. We are focusing on four significant provisions in the short-term that have the greatest immediate impact to CalPERS:

**Help for Early Retirees** – Creates a temporary reinsurance program (until the Exchanges are available) to help offset the costs of expensive premiums for employers and retirees for health benefits for retirees age 55-64

**Eliminating Lifetime Limits** – Prohibits insurers from imposing lifetime limits on benefits

**Extending Coverage for Young Adults** – Requires any group health plan or plan in the individual market that provides dependent coverage for children to continue to make that coverage available until the child turns 26 years of age

**Restructure Payments to Medicare Advantage (MA) Plans** – Sets payments to deferent percentages of the Medicare fee-for-service (FFS) rates; with higher payments for areas with low FFS rates; and lower payments (95% of FFS) for areas with high FFS rates

MEMBERSHIP

ENROLLMENT	EMPLOYEES	DEPENDENTS	TOTAL MEMBERS
<b>State Employees – 59.69%</b>			
State Active	219,371	324,657	544,028
State Retired	145,249	90,196	235,445
<b>State Total</b>	<b>364,620</b>	<b>414,853</b>	<b>779,473</b>
<b>1,100 Public Agencies (Local Government &amp; School Employees) – 39%</b>			
Public Agency Active	178,075	228,834	406,909
Public Agency Retired	78,511	41,037	119,548
<b>Public Agency Total</b>	<b>256,586</b>	<b>271,734</b>	<b>526,457</b>
Active – 74%	397,446	553,491	950,937
Retired – 26%	223,760	131,233	354,993
HMO – 69%	408,016	477,560	885,576
PPO – 25%	182,257	149,407	331,664
Associations – 6%	30,933	57,757	88,690
<b>Total Program</b>	<b>621,206</b>	<b>684,724</b>	<b>1,305,930</b>

**ANNUAL HEALTH PREMIUM**

Program spending per day

2010	\$16.5 million
2009	\$16 million

Estimates (in Billions)	TOTAL HEALTH PREMIUM			STATE PREMIUM SHARE ESTIMATES			
	Total Program	Public Agency	State	Actives		Retirees	
				Employer	Member	Employe r	Member
2010	\$6.01	\$2.40	\$3.61	\$2.021	\$0.518	\$1.022	\$0.048
2009	\$5.83	\$2.32	\$3.51	\$1.971	\$0.494	\$1.002	\$0.043
2008	\$5.48	\$2.17	\$3.31	\$1.878	\$0.432	\$0.961	\$0.041
Contribution amounts correspond to monthly premiums for single, 2-party and family plan tiers, respectively			2010	\$393/\$787/\$1,024*		\$493/\$936/\$1,202*	
			2009	\$382/\$764/\$994*		\$478/\$909/\$1,167*	
			2008	\$371/\$740/\$959*		\$471/\$886/\$1,129*	

*\*This is the amount the State contributes toward the health premium for many Active State members, but not all. Please check your specific contract for exact details.*

**PREMIUM CHANGES - 2002 TO 2010**

PLAN PRODUCT & TYPE	2002	2003	2004	2005*	2006*	2007*	2008*	2009*	2010*	
OVERALL	9.6%	24.1%	16.4%	9.9%	8.9%	11.9%	6.8%	4.8%	3.2%	
BASIC PLANS	HMOs	6.0%	25.9%	18.0%	11.4%	8.7%	7.4%	6.6%	3.4%	
	PPOs	19.8%	19.9%	13.2%	6.4%	9.5%	4.2%	0.0%	3.3%	
	ASSOCIATIONS	14.4%	20.8%	11.6%	6.8%	8.3%	12.8%	10.8%	5.0%	0.9%
OVERALL	16.0%	17.8%	10.0%	-11.3%	7.0%	13.5%	3.0%	0.7%	1.1%	
MEDICAR E PLANS	HMOs	16.5%	40.6%	26.8%	-10.7%	-7.0%	25.0%	-1.6%	1.6%	3%
	PPOs	15.9%	5.8%	-1.2%	-12.5%	18.6%	6.8%	6.7%	0.0%	1.7%
	ASSOCIATIONS	10.5%	18.8%	15.0%	0.5%	0.0%	0.2%	-2.3%	1.3%	2.5%

*\*Premium changes for public agencies vary depending on geographic location.*

#### CalPERS LONG-TERM CARE PROGRAM

- Provides financial protection from the high cost of extended care, including nursing home care, that six of 10 Americans over age 65 will need
- Regular health insurance and Medicare do not cover long-term care
- Nursing home care averages \$65,000/year; home care averages \$20,000/year
- CalPERS program is not-for-profit and self funded; began in January 1995
- All California public employees, retirees, their spouses, parents and parents-in-law, and adult siblings (age 18-79) are eligible to apply
- More than 161,000 members
- Total annual premiums of over \$310 million
- More than \$678 million in benefits paid since the program's inception
- Benefits paid in 2010 through March 31, 2010: \$33,630,569.58
- \$95 million in benefits paid in current fiscal year through March 31, 2010

#### PLAN TYPES

- **Comprehensive:** Covers home, community, nursing home, or assisted living facility care (nearly 75% of enrollees)
- **Facilities Only:** Covers care in a nursing home or assisted living care facility (no home care; more than 21% of enrollees)
- **Partnership:** Covers home, community, nursing home and assisted living facility care, with Medi-Cal asset protection feature (more than 4% of enrollees)





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## FACTS AT A GLANCE: INVESTMENTS

MAY 2010

*Facts at a Glance is a monthly compilation of information of interest to Board Members, staff, and the general public. Information is current as of February 28, 2010, unless otherwise noted. Every effort has been made to verify the accuracy of the information, which is intended for general use only. Please direct any questions and comments to the Public Affairs Office at (916) 795-3991.*

### INVESTMENT PORTFOLIO MARKET VALUE

**\$200 Billion** (As of January 31, 2010)

### ASSET CLASS BY MARKET VALUE & ALLOCATION

ASSET CLASS	MARKET VALUE (\$ BILLION)	ACTUAL ALLOCATION (%)	TARGET ALLOCATION* (%)	PREVIOUS TARGET (%)	% PASSIVE VS. ACTIVE	
					PASSIVE	ACTIVE
Cash Equivalents	\$2.2	1.1%	2.0%	0.0%	0.0%	100.0%
Global Fixed Income	\$48.9	24.3	20.0	19.0	0.0	100.0
Equities:						
Alternative Investment Management (AIM)	\$25.4	12.6	14.0	10.0	0.0	100.0
Global Equity	\$106.5	52.8	49.0	56.0	68.1	31.9
<b>TOTAL EQUITIES</b>	<b>\$131.9</b>	<b>65.4</b>	<b>63.0</b>	<b>66.0%</b>		
Real Estate	\$13.7	6.8	10.0	10.0	0.0	100.0
Inflation Linked	\$4.8	2.4	5.0	5.0	0.0	100.0
<b>Total Fund</b>	<b>\$201.6</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>37.0%</b>	<b>63.0%</b>

\*Target allocation effective June 2009.

### GROWTH OF FUND

YEAR	YEAR-END 6/30	YEAR-END 12/31
1985	\$28.6 billion	\$32.7 billion
1990	\$58.2 billion	\$57.5 billion
1995	\$87.8 billion	\$96.9 billion
1996	\$100.7 billion	\$108.0 billion
1997	\$119.7 billion	\$128.2 billion
1998	\$143.3 billion	\$150.6 billion
1999	\$159.1 billion	\$171.9 billion
2000	\$172.2 billion	\$165.2 billion
2001	\$156.0 billion	\$151.8 billion
2002	\$143.4 billion	\$133.8 billion
2003	\$144.8 billion	\$161.4 billion
2004	\$166.3 billion	\$182.8 billion
2005	\$189.8 billion	\$200.9 billion
2006	\$208.2 billion	\$230.3 billion
2007	\$251.4 billion	\$253.0 billion
2008	\$237.9 billion	\$183.3 billion
2009	\$181.0 billion	\$203.3 billion

### TOTAL RETURNS (NET)

Fiscal year to date ended 02/28/2010	12.00%
3 years for period ended 02/28/2010	-4.08%
5 years for period ended 02/28/2010	2.49%
10 years for period ended 02/28/2010	3.10%

### CALIFORNIA INVESTMENTS AND COMMITMENTS

Approximately \$22.3 billion—or 11.1 percent of total fund as of February 28, 2010.

Fixed Income	\$5.6 billion
Equities	\$6.1 billion
AIM	\$4.9 billion
Real Estate	\$5.7 billion
Inflation Linked	\$0.06 billion

HISTORICAL RATES OF RETURNS<sup>1</sup>

YEAR	YEAR END 6/30 (%)	YEAR END 12/31 (%)
1984	-3.1	12.9
1985	35.4	28.0
1986	24.6	15.9
1987	13.8	4.3
1988	3.9	12.8
1989	15.7	21.3
1990	9.7	-0.8
1991	6.5	23.0
1992	12.5	6.5
1993	14.5	13.4
1994	2.0	-1.0
1995	16.3	25.3
1996	15.3	12.8
1997	20.1	19.0
1998	19.5	18.5
1999	12.5	16.0
2000	10.5	-1.4
2001	-7.2	-6.2
2002	-5.9 <sup>1</sup>	-9.5
2003	3.9	23.3
2004	16.7	13.4
2005	12.7	11.1
2006	12.3	15.7
2007	19.1	10.2
2008	-4.9	-27.8
2009	-24.0	12.1

Dated:04/19/2010

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<sup>1</sup> Beginning 6/30/02 performance figures are reported as gross of fees.





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## FACTS AT A GLANCE: CORPORATE GOVERNANCE

MAY 2010

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### INVESTING WITH A CORPORATE GOVERNANCE FRAMEWORK

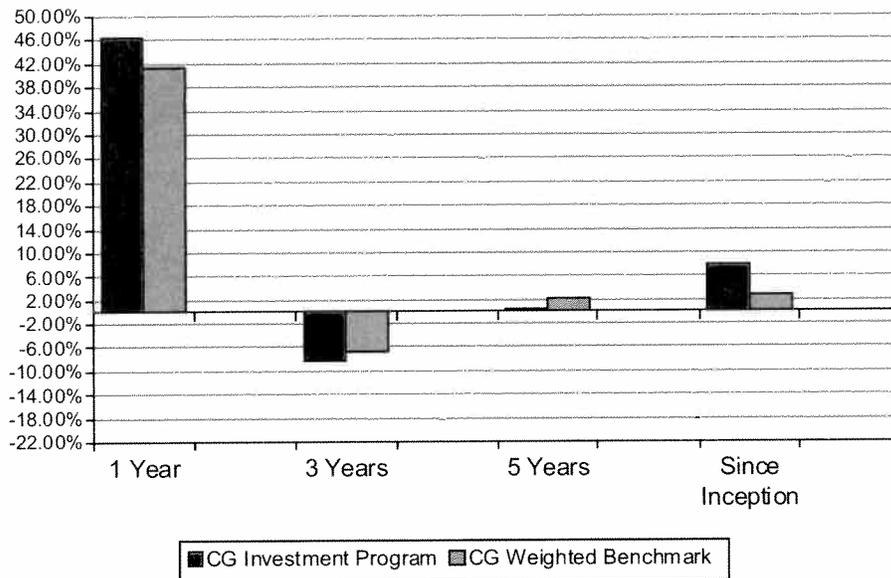
We believe good corporate governance leads to better investment performance. We seek corporate reforms to protect our investments. The corporate governance team challenges companies and the status quo; we vote our proxies; we work closely with regulatory agencies to strengthen our financial markets; and we invest with partners that use corporate governance strategies to add value to our fund by turning around ailing companies.

### CORPORATE GOVERNANCE INVESTMENT PROGRAM (CGIP)

The strategic objective of the Corporate Governance Investment Program (CGIP) is to broaden the opportunity set of CalPERS Investment portfolio by achieving returns not available in traditional public markets. The CGI Program focuses on highly concentrated portfolios and incorporates an active engagement strategy to unlock value through operational, strategic, and governance changes.

The CGI Program has more than \$4.7 billion dollars of capital invested amongst 21 external corporate governance funds and co-investment partners. The asset allocation of the program contains both domestic and international countries, including the U.S., Europe, UK, Japan, and Korea. Since inception in 1999, the CGI Program (represented by the CG Composite in the chart below) has outperformed its Corporate Governance (CG) Weighted Benchmark by 514 basis points.

In February 2007, the CalPERS Board of Administration approved expansion of the Corporate Governance Investment Program to include investments in foreign emerging markets and in May 2008 we made our first investment in a Korean corporate governance fund. In September 2009, we added another emerging market fund that specializes in Emerging Europe, Middle East, Asia, Latin America and Africa.



State Street methodology is CFA Institute compliant.  
 All figures are net of all fees for periods ending March 31, 2010.  
 Inception Date: January 1999

**CalPERS FOCUS LIST**

The Focus List Program continuously demonstrates its ability to produce excess returns to CalPERS assets. The program is an annual process that identifies companies in the domestic internal equity portfolio that exhibit both poor economic performance and poor corporate governance. CalPERS focuses on reforming the companies' governance practices with an emphasis on accountability, transparency, independence, and discipline in an attempt to improve shareowner wealth.

**CalPERS 2009 FOCUS LIST COMPANIES**

Eli Lilly & Company, Hill-Rom Holdings, Inc., Hospitality Properties Trust, and IMS Health, Inc.

#### IMPACT OF THE FOCUS LIST ON CALPERS RETURNS

A Wilshire Associates study examined the performance of 139 companies targeted by CalPERS Focus List from beginning of 1987 through the fall of 2007. According to the study, "For the five years prior to the "initiative date", the Focus List companies produced returns that averaged 84.2% below their respective industry benchmarks over the entire five-year period, which is equivalent to a return shortfall of -30.9% per year on an annualized basis. For the first five years after the "initiative date," the average targeted company produced excess returns of 15.4% above their respective benchmark return on a cumulative basis, or 3% per year on an annualized basis." The "CalPERS Effect" on Targeted Company Shares Prices, by Andrew Junkin, CFA, CIMA, Managing Director and Thomas Toth, CFA, Vice President; Wilshire Associates Incorporated; July 31<sup>st</sup>, 2009.

#### CalPERS SEEKS PROXY ACCESS FOR DIRECTOR NOMINATION

Today in the United States, shareowners do not have effective access to the proxy for the purpose of nominating director candidates. Shareowner access to the proxy is CalPERS' top priority of focus to ensure a sustainable system of corporate governance that fosters democracy, director accountability and long-term value creation. Without effective proxy access, the director election process simply becomes a ratification of corporate management's slate of nominees. CalPERS believes proxy access is a fundamental shareowner right that allows investors reasonable access to place nominees on corporate proxy ballots with all nominees being subsequently subject to a vote of the majority of shareowners.

On June 10, 2009, the Securities and Exchange Commission (SEC) proposed changes to the federal proxy rules to remove impediments to the exercise of shareholders' rights to nominate and elect directors to company boards of directors. The proposed rule is a historically significant reform that will enable investors to hold corporate boards accountable and restore investor confidence in the capital markets. Through its SEC Comment Letter, CalPERS communicated its strong endorsement of the proposed new rules which would require, under certain circumstances, a company to include in the company's proxy materials, shareholder's or group of shareholders' nominees for director. The SEC continues to review all submitted comment letters in order to thoroughly address outstanding concerns before issuing its final ruling.

CalPERS has proactively watched closely, offering considerable support and leadership, for actions being taken by the U.S. Congress to address proxy access. On March 22, 2010, the US Senate Banking Committee approved Senator Christopher Dodd's proposed legislation, "Restoring American Financial Stability Act of 2010," for release the Senate Floor. Included in this legislation is a dedicated section on strengthening corporate governance provisions

including proxy access. The legislation specifically states that the SEC may issue rules permitting the use by shareowners of company proxy for the purpose of nominating individuals to membership on the board. A vote on this historic piece of legislation is expected before Memorial Day, May 31, 2010.

#### CalPERS PRESSES FOR FINANCIAL MARKET REFORM

CalPERS encourages and supports global reform to protect investor interests through legislative, regulatory, securities exchange, and investor forums. The current market climate presents a window of opportunity for CalPERS to exhibit leadership in shaping market reform to protect investors from a future market meltdown of this magnitude. Addressing certain reforms is critical and will contribute to the restoration of confidence in the capital market system. As a matter of importance, CalPERS has contributed to supporting the establishment of a regulatory financial market system designed to instill trust, integrity, and confidence in the investors, beneficiaries, and stakeholders of the global capital markets through the following action items:

- In collaboration with CalSTRS and other leading U.S. public pension funds and plan sponsors, developed the "Principles of Financial Regulation Reform", which include: 1) greater disclosure and transparency, 2) true regulatory independence, 3) an increased and effective shareowner voice in the capital markets, 4) earlier identification by regulators of issues that give rise to overall market risk that threaten global markets, and 5) the preservation of institutional investors' freedom to invest in the full range of investment opportunities.
- CalPERS voted in favor of the Council of Institutional Investors' endorsement of the July 2009 Investors' Working Group report entitled U.S. Financial Regulatory Reform: The Investors' Perspective. The report provides an investor perspective on recommendations to improve regulation of the U.S. financial markets focusing on four major areas that the financial crisis has revealed to be fundamentally flawed: 1) Strengthening and reinvigorating existing federal agencies responsible for policing financial institutions and markets and protecting investors and consumers; 2) filling the gaps in the regulatory architecture and in authority over certain investment firms, institutions and products; improving corporate governance at U.S. financial companies and 4) designating a systemic risk regulator, with appropriate scope and powers.
- On March 19, 2010, CalPERS joined CalSTRS, the Colorado Public Employees Retirement System, Richard Breeden, and Ira Millstein in a national press event urging lawmakers to support reforms as described in Senator Dodd's legislation.

On March 22, 2010, the U.S. Senate Banking Committee approved Chairman Christopher Dodd's "Restoring American Financial Stability Act of 2010." CalPERS cross-asset class staff will

continue to be a resource to U.S. legislative staff as the full Senate debates the legislation. The Act favorably addresses nine of CalPERS' twelve 2010 Financial Market Reform Objectives summarized as follows:

<i>CalPERS Reform Objectives</i>	<i>Restoring American Financial Stability Act of 2010</i>
Proxy Access	The Securities and Exchange Commission (SEC) may issue rules permitting proxy material use by shareowners for board nominations.
Majority Vote for Director Elections	Resignation of a Director receiving less than a majority vote in an uncontested election.
Say-on-Pay	Includes a non-binding shareowner vote on a proxy resolution to approve an executive compensation plan.
Systemic Risk	Establishes a "Financial Oversight Council," to identify and monitor market systemic risks.
Derivatives Regulation	Provides authority to regulate over-the-counter derivatives. Requires central clearing, exchange trading and transparency provisions.
Credit Rating Agency (CRA) Reform	Provides SEC authority over CRAs, with disclosure, accountability and expertise provisions along with support of alternative payment models.
Hedge Fund Registration	Requires registration of hedge funds managing more than \$100 million.
SEC Independence	SEC self funding.
Consumer Financial Protection Agency	Creates an independent unit within the Federal Reserve to regulate consumer financial items.

#### CALPERS DIVERSITY STRATEGY

In March 2008, California State Controller John Chiang requested CalPERS to consider a new initiative to address corporate board diversity. Subsequently, in September 2009, CalPERS and CalSTRS organized a workshop to constructively discuss broadening the director pool of talent (September 30<sup>th</sup> Presentation). The goal was to not only gain feedback from the workshop, but to also create a working group that would meet again in person on November 18, 2009 in Washington DC hosted by the International Corporate Governance Network, just before their fall meeting which has board-shareholder dialogue as the main theme (November 18<sup>th</sup> Presentation). The joint initiative by CalPERS and CalSTRS is to facilitate development for a facility to create a new and diverse pool of director candidates that Nominating Committees, Shareowners, Search Firms, Educators, and Diversity Practitioners can tap into to ensure public boards have the ability to draw on robust, most qualified candidates to meet the skills required for the strategy of each company.

Since then, a third meeting was held at the Council of Institutional Investor's spring meeting in Washington, DC on April 11, 2010, to bring together Advisory Committee members for the Shareowner Aligned Diverse Director Pool initiative (April 11<sup>th</sup> Presentation). This committee has been charged with developing a business and funding plan for the new diverse director database. Through meeting discussions, it was decided that a subcommittee would be formed with the purpose of creating a self nomination process, which potential director candidates could follow.

Also in the works is a case study that has granted CalPERS the opportunity to work jointly with a company to nominate a shareowner candidate to the board. We are tapping into each asset class within the CalPERS Investment office to pull together a consistent process across

asset classes in nominating directors to boards whether private or public. Through this process we aim to successfully agree upon and nominate a director candidate that will be considered credible, qualified, and diverse as well as develop lessons learned to strengthen our own internal process and understanding around director nominations.

#### CALPERS INITIATIVE TO ENSURE THE INTEGRITY OF FINANCIAL REPORTING

As an investor and provider of long-term of capital, CalPERS has a great interest in the improvement and integrity of financial reporting.

Financial reporting plays an integral role in the financial system by striving to provide unbiased, transparent and relevant information about the economic performance and condition of businesses. Effective financial reporting depends on high quality accounting standards as well as the consistent and faithful application and rigorous independent audit and enforcement of those standards.

Financial reporting is of great importance to investors and other financial market participants in their resource allocation decisions and to regulators and other users. The confidence of all these users in the transparency and integrity of financial reporting is critically important to global financial stability and sound economic growth.

Investors and shareowners should expect auditors to bring integrity, independence, objectivity, and professional competence to the financial reporting process. Public and investor confidence and stability are essential to the success and effective functioning of the capital markets. To ensure this confidence, as an active investor, CalPERS will provide leadership through substantive initiatives which include:

- Expand CalPERS Global Principles of Accountable Corporate Governance as it relates to accurate financial disclosure, international financial reporting standards and auditor independence;
- Improve financial disclosure and audit practices through direct company engagement in the CalPERS Focus List Program;
- Comment to regulators to assist with market reform, auditor independence and accurate financial reporting;
- Engage audit committee directors through the National Association of Corporate Directors;
- Participate in advisory boards and roundtables to provide investors, perspective — International Corporate Governance Network, Public Company Accounting Oversight Board (PCAOB), Financial Accounting Standards Board (FASB), Securities and Exchange Commission (SEC) and Congressional Committees.

#### CALPERS PURSUES PAY FOR PERFORMANCE INITIATIVES

Executive compensation practices establish a foundation for aligning management with investor interests. Given the separation of ownership and control of companies by

management the design of a compensation package is critical to ensuring investors interest are aligned with management.

CalPERS is pursuing many pay-for-performance initiatives, including the following:

- Achieve executive compensation reform at companies targeted through the Focus List Program;
- Utilize the new SEC proxy disclosure to vote compensation related proposals while applying CalPERS Principles of Accountable Corporate Governance;
- Seek opportunities to engage stock exchanges, equity market regulators, governmental authorities, and institutional investors to promote reform that improves executive compensation disclosure and pay-for-performance practices; and
- Continue to expand and implement CalPERS Executive Compensation Principles of Accountable Corporate Governance market wide.

#### CalPERS PRESSES FOR ENVIRONMENTAL DISCLOSURE

CalPERS has successfully completed a number of initiatives, including the development of the Global Framework for Climate Risk Disclosure via the Climate Risk Disclosure Initiative and the Electric Utilities Greenhouse Gas Reporting Project.

CalPERS has played a key role in a national effort to seek federal regulations to address climate change. The "Call to Action" campaign organized by CERES and the Investor Network on Climate Risk (INCR) held a press conference in Washington, D.C., on March 17, 2007, starting the campaign and issuing a letter urging the federal government to take specific actions to address the uncertainty created by the lack of national policy on climate change. The Call to Action was developed to draw attention to the fact that the uncertainty creates risks for both investors and business as they engage in long-term strategic planning, asset management, and capital budgeting. This effort has continued with many subsequent follow-up contacts with high-level administrative staff, congressional leaders, and the Securities and Exchange Commission (SEC). CalPERS considers the recent SEC's new interpretive guidance, issued February 2, 2010, a very positive response and a significant step forward in providing registrants valuable information about how to apply longstanding disclosure requirements to the evolving challenges posed by climate change. The measured, concrete steps outlined in the guidance will improve disclosure of material information, which will in turn improve investor decision-making.

Going forward, CalPERS is committed to actively pursuing improvements in clarity and consistency as well as extending progress on environmental disclosure into global markets via the following:

- Increase awareness of the benefit and need for integrated and comprehensive reporting that connects environmental information to financial data to support improved transparency, interpretation and exposing hidden risks.
- Support of the Water and Carbon Disclosure Project through our membership and as a signatory;
- Participation in the Investor Network on Climate Risk (INCR); and
- Support of Environmental Shareowner Resolutions for Improved Disclosure.

#### CalPERS CORPORATE GOVERNANCE WEBSITE

**[www.CalPERS-governance.org](http://www.CalPERS-governance.org)**

CalPERS has an Internet Web site devoted exclusively to the CalPERS corporate governance program. The site is intended to educate and promote action in the market on CalPERS corporate governance activities. For more information on corporate governance initiatives mentioned in this article please visit the Corporate Governance web site.



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## FACTS AT A GLANCE: LEGISLATION

MAY 2010

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### SECTION A — SPONSORED BILLS

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BILL N <sup>o</sup> /VERSION:	<b>AB 1743 A-03/17/2010</b>
AUTHOR:	<b>Hernandez</b>
POSITION:	Co-Sponsor
STATUS:	04/21/2010—Assembly Appropriations Committee
SUMMARY:	<b>Placement Agent Registration and Reporting.</b> Requires placement agents that do business with CalPERS or CalSTRS to be subject to the same reporting and ethics rules that govern lobbyists under the California Political Reform Act, including bans on campaign contributions and contingent fee arrangements. The bill also applies to local public retirement systems if those jurisdictions have similar lobbyist registration requirements in place.
<hr/>	
BILL N <sup>o</sup> /VERSION:	<b>AB 1821 A-03/25/2010</b>
AUTHOR:	<b>Ma</b>
POSITION:	Sponsor
STATUS:	04/21/2010—Assembly Appropriations Committee
SUMMARY:	<b>1959 Survivor Benefit-Public Agency Pools.</b> Would merge the members and assets in the 1st and 2nd levels into the 3rd level pool of the 1959 Survivor Benefit Program for Public Agencies. In addition the \$2.00 required monthly employee premium would be waived as long as the pool has surplus assets.

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BILL N<sup>o</sup>/VERSION: **AB 1856 A-03/25/2010**

AUTHOR: **Fong**

POSITION: Sponsor

STATUS: 04/21/2010— Assembly Appropriations Committee

SUMMARY: **After-Tax Service Credit Purchase Elections.** Would allow CalPERS members to suspend or cancel after-tax installment payments for service credit purchases on a voluntary basis, without needing to show financial hardship. It would also allow staff to cancel service credit purchases that remained delinquent with no response by the member for at least one year.

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BILL N<sup>o</sup>/VERSION: **SB 1139 I-02/18/2010**

AUTHOR: **Correa**

POSITION: Sponsor

STATUS: 04/15/2010— In Assembly. Read first time. Held at Desk.

SUMMARY: **CalPERS 2010 Omnibus Bill.** Would make several minor policy and technical amendments to various sections of the Government Code administered by CalPERS. These include coordinating the timing of the Power Purchasing Protection Allowance with the cost-of-living increase in May each year; making clarifying changes to PEMHCA to align it with JRLS II regarding Judge's health benefits after leaving office; and expanding the types of retirement savings programs the Board may establish to include those after-tax payments such as Roth 401K.

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**SECTION B — OTHER BILLS**

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BILL N <sup>o</sup> /VERSION:	<b>AB 125 A-06/18/2009</b>
AUTHOR:	<b>De Leon</b>
POSITION:	Neutral
STATUS:	08/27/2009—Senate Appropriations Committee, held under submission.
SUMMARY:	<b>California Employee Savings Program (CESP).</b> Establishes the California Employee Savings Program (CESP) to allow any Californian employed by a private or nonprofit employer to participate in an individual retirement plan developed and administered by CalPERS, if the required regulatory approvals are obtained and adequate funding through a state budget appropriation or a nonprofit or private entity is provided.
BILL N <sup>o</sup> /VERSION:	<b>AB 446 A-05/18/2009</b>
AUTHOR:	<b>Niello</b>
POSITION:	Neutral
STATUS:	06/04/2009—Senate Rules Committee
SUMMARY:	<b>Additional Retirement Service Credit (ARSC).</b> Requires CalPERS to submit a copy of the ARSC section of the experience study currently being finalized to the legislature by February 1, 2010. The study provides information on the ARSC program from inception through June 30, 2007. If it cannot be submitted on time, an explanation for the delay and alternate timeline must be submitted.
BILL N <sup>o</sup> /VERSION:	<b>AB 542 A-06/18/2009</b>
AUTHOR:	<b>Feuer</b>
POSITION:	Support, if amended
STATUS:	07/02/2009—Senate Health Committee; hearing canceled at the request of author.
SUMMARY:	<b>Health Care: Hospital Acquired Conditions.</b> Would prohibit a hospital or licensed surgical clinic from charging for services related to a hospital acquired condition, and require medical and nursing directors to annually report hospital acquired conditions to their hospital's governing boards. It would also require the Department of Managed Health Care, in cooperation with the State Department of Public Health, the State Department of Health Care Services, the Managed Risk Medical Insurance Board, the California Public Employees' Retirement System, and the Department of Insurance, to adopt regulations necessary to implement the bill.

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BILL N <sup>o</sup> /VERSION:	<b>AB 1602 A-04/15/2010</b>
AUTHOR:	<b>Perez, John A.</b>
POSITION:	
STATUS:	04/21/2010— Assembly Appropriations Committee
SUMMARY:	<b>California Patient Protection and Affordable Health Choices Act.</b> This bill would, among other things: 1) establish the California Health Benefit Exchange; 2) prohibit a lifetime limit or unreasonable annual limit on the dollar value of benefits; 3) prohibit cost-sharing for the specified preventative services; 5) prohibits the limiting age for dependent children covered by health care service plans from being less than 26 years of age, but authorizes certain public employees and annuitants to elect to provide coverage to their dependents who would otherwise be ineligible for coverage by contributing the premium for that coverage. Specifies that limiting age provisions will not be effective for collective bargaining contracts effective prior to September 23, 2010.

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BILL N <sup>o</sup> /VERSION:	<b>AB 1609 I-01/08/2010</b>
AUTHOR:	<b>Evans</b>
POSITION:	
STATUS:	01/21/2010— Assembly Budget Committee
SUMMARY:	<b>2010-2011 Budget Act.</b> Makes appropriations for support of state government for the 2010-2011 fiscal year. This bill would declare that it is to take effect immediately as an urgency statute.

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BILL N <sup>o</sup> /VERSION:	<b>AB 1651 A-03/02/2010</b>
AUTHOR:	<b>De La Torre</b>
POSITION:	Support
STATUS:	04/14/2010— Assembly Appropriations Committee
SUMMARY:	<b>Furloughed School Employee: Service Credit and Final Compensation.</b> Last year legislation was enacted to guarantee that all state employees who are furloughed will receive the same amount of retirement service credit and final compensation he or she would have received absent the furlough. This bill would extend this same treatment to furloughed school employees who are employed by a county office of education, a school district, a school district that is a public agency, or a community college district, as well as local safety members employed by a contracting agency.

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**BILL N<sup>o</sup>/VERSION:** AB 1764 A-03/10/2010

**AUTHOR:** Portantino

**POSITION:** Oppose, unless amended

**STATUS:** 04/21/2010— Assembly Appropriations Committee; suspense file.

**SUMMARY:** **State Employees: Executive Salary Freeze.** Prohibits state employees whose base salaries are greater than \$150,000 per year on or after the effective date of the bill from receiving a salary increase while employed in the same position or classification, and from receiving payment for overtime work. The bill would exempt persons whose compensation are governed by an operative memorandum of understanding, who have been exempted by executive order of the Governor, trial court employees or whose salaries are set pursuant to the California Constitution. This prohibition would be in effect until January 1, 2013.

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**BILL N<sup>o</sup>/VERSION:** AB 1826 A-03/15/2010

**AUTHOR:** Huffman

**POSITION:**

**STATUS:** 03/16/2010— Assembly Health Committee

**SUMMARY:** **Health Care Coverage: Prescriptions.** Prohibits a health plan or a health insurer, which covers prescription drug benefits from requiring a subscriber, enrollee, or someone insured, who receives a prescription from a health care provider for a product to treat pain, from using a different specified product - prior to authorization of coverage for the prescribed product by the health care provider. This bill specifies that these provisions do not apply to a health care service plan or health insurance policy purchased by the Board of Administration of the Public Employees' Retirement System.

*Per March 15, 2010 amendment, this bill no longer applies to CalPERS.*

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**BILL N<sup>o</sup>/VERSION:** AB 1913 A-04/22/2010

**AUTHOR:** Davis

**POSITION:**

**STATUS:** 04/26/2010— Assembly Appropriations Committee

**SUMMARY:** **Emerging Investment Managers.** Requires CalPERS and CalSTRS to report annually to the Legislature on or before January 1, 2012, and until January 1, 2016, information regarding the ethnicity and gender of emerging investment managers who manage retirement fund assets participate in managing their respective portfolios of fund management contracts. The bill would also require each board to develop and report plans and strategies to increase emerging investment manager participation in each fund's actively managed portfolio to ten percent.

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BILL N <sup>o</sup> /VERSION:	<b>AB 1987 A-04/15/2010</b>
AUTHOR:	<b>Ma</b>
POSITION:	
STATUS:	04/21/2010— Assembly Appropriations Committee
SUMMARY:	<b>Final Compensation.</b> Would provide, effective July 1, 2011, that any change in salary, compensation, or remuneration principally for the purpose of enhancing a member's benefits would not be included in the calculation of a member's final compensation for purposes of determining that member's defined benefit at any local public retirement system. It would also require that retirees not be allowed to perform services for any employer covered by a public retirement system in California until that person had been separated from service for at least 6 months. The bill is only to take effect if SB 1425 passes.

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BILL N <sup>o</sup> /VERSION:	<b>AB 2337 A-04/22/2010</b>
AUTHOR:	<b>Ammiano</b>
POSITION:	
STATUS:	04/26/2010— Assembly Appropriations Committee
SUMMARY:	<b>Rent-Controlled Housing Divestment.</b> Requires all state and local public retirement systems in California to adopt policies on or before June 30, 2011 that restricts investments in companies that engage in, or are complicit in, predatory investment practices that result in excessive rent increases imposed upon, or the eviction or displacement of, persons residing in rent-regulated housing in order to generate profits, as specified.

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BILL N <sup>o</sup> /VERSION:	<b>AB 2341 I-02/19/2010</b>
AUTHOR:	<b>Huber</b>
POSITION:	
STATUS:	04/14/2010— Assembly Public Employees, Retirement and Social Security Committee; hearing canceled at the request of the author.
SUMMARY:	<b>Public Employees' Retirement System Board Member Removal.</b> Would provide for the removal of a CalPERS Board member who violates his or her fiduciary duties to the system, or is insolvent or otherwise unfit to administer the system. It would also provide that a Board member's seat is vacant if the Board member: 1) cannot be identified or does not exist; 2) resigns or is remove; 3) dies; or 4) files a petition for adjudication of bankruptcy, as specified. The bill would provide that these changes would take effect only when submitted to and approved by the voters at a statewide election.

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BILL N <sup>o</sup> /VERSION:	<b>AB 2510 A-04/08/2010</b>
AUTHOR:	<b>Fletcher</b>
POSITION:	
STATUS:	04/26/2010— Assembly Appropriations Committee
SUMMARY:	<b>Public Employees' Retirement: Contracting Agencies: Postretirement Health Coverage.</b> Would allow the City of San Diego to establish a vesting requirement for post-retirement health benefits for its employees with at least 10 years of service credit. This would take effect for employees retiring on or after the effective date of the memorandum of understanding authorizing this benefit.

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BILL N <sup>o</sup> /VERSION:	<b>AB 2578 A-03/18/2010</b>
AUTHOR:	<b>Jones</b>
POSITION:	
STATUS:	04/21/2010— Assembly Appropriations Committee; suspense file.
SUMMARY:	<b>Health Care Coverage: Rate Approval.</b> Would require approval by the Department of Managed Health Care (DMHC) or the Department of Insurance (DI) for an increase in the amount of the premium, copayment, coinsurance obligation, deductible, and other charges under a health care service plan or health insurance policy. Sets deadlines for applications to DMHC/DI. Creates the Health Rate Approval Fund.

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BILL N<sup>o</sup>/VERSION: **AB 2586 A-04/20/2010**

AUTHOR: **Chesbro**

POSITION:

STATUS: 04/21/2010— Assembly Appropriations Committee

SUMMARY: **Health Care Coverage: Network Modification.** Would require a plan or an insurer that contracts with providers to obtain approval from its regulating department prior to implementing a network modification, as defined, and would require the plan or insurer, in order to obtain approval, to demonstrate that the modified network would meet certain access requirements. The bill would require plans and insurers to notify affected providers and enrollees or insureds of the modification, as specified. The bill would make changes to disclosure forms regarding hospital-based physicians. Also, the bill addresses information pertaining to provider directories, interactive maps, and surveys.

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BILL N<sup>o</sup>/VERSION: **AB 2608 I-02/19/2010**

AUTHOR: **Chesbro**

POSITION:

STATUS: 04/21/2010— Assembly Appropriations Committee

SUMMARY: **Rural Health Care Equity Program Extension.** Would extend the Rural Health Care Equity Program until January 1, 2012, and would extend the benefits to all state employees and annuitants living in rural areas. It would also delete the provision regarding the disposition of any moneys remaining in a program account on the date the program is terminated.

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BILL N<sup>o</sup>/VERSION: **SB 270 A-01/20/2010**

THOR: **Alquist**

POSITION:

STATUS: 02/11/2010— Assembly Health Committee

SUMMARY: **Health Information Technology: Advisory Panel.** This bill establishes the Health Information Technology Advisory Panel to advise the Governor and the Legislature on health information technology implementation.

*This bill no longer applies to CalPERS.*

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BILL N<sup>o</sup>/VERSION: **SB 484 A-05/12/2009**

THOR: **Wright**

POSITION:

STATUS: 06/30/2009— Assembly Public Safety Committee

SUMMARY: **Health: Ephedrine and Pseudoephedrine.** Requires products containing ephedrine, pseudoephedrine, and related drugs to be dispensed only with a prescription.

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BILL N <sup>o</sup> /VERSION:	<b>SB 810 A-01/13/2010</b>
AUTHOR:	<b>Leno</b>
POSITION:	
STATUS:	01/28/2010—In Assembly. Read first time. Held at Desk.
SUMMARY:	<b>Universal Coverage: Single-Payer System.</b> Makes all California residents eligible for specified health care benefits under the newly created California Healthcare System, which would, on a single-payer basis, negotiate for or set fees for health care services provided through the system and pay claims for those services. Prohibits the issuance of health plan contracts for services covered by the system. Creates the California Healthcare Premium Commission (the Commission) to determine the cost of the California Healthcare System and develop a premium structure. Requires the Commission to recommend a premium structure to the Governor and Legislator on or before January 1, 2011, and to make a draft recommendation to the Governor, the legislature and the public 90 days before submitting its final premium structure recommendation. Requires that the system be operative within two years of the Secretary of Health and Human Services notifying the legislature that sufficient funds exist.

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BILL N <sup>o</sup> /VERSION:	<b>SB 874 I-01/08/2010</b>
AUTHOR:	<b>Ducheny</b>
POSITION:	
STATUS:	01/21/2010—Senate Budget and Fiscal Review Committee
SUMMARY:	<b>2010-2011 Budget Act.</b> Makes appropriations for support of state government for the 2010-2011 fiscal year. This bill would declare that it is to take effect immediately as an urgency statute.

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BILL N <sup>o</sup> /VERSION:	<b>SB 919 A-04/21/2010</b>
AUTHOR:	<b>Hollingsworth</b>
POSITION:	
STATUS:	04/21/2010—Senate Rules Committee
SUMMARY:	<b>Pension Reform.</b> Would make various changes to the PERL with the intent of reducing the state's long-term pension costs. Among the changes would be: making new members of bargaining unit 7 state miscellaneous rather than state safety, reducing pension formulas, increasing contribution rates by eliminating the excluded portion of an employees salary, allowing another entity of the state to negotiate health plans, and increasing the time needed for health benefit vesting.

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BILL N <sup>o</sup> /VERSION:	<b>SB 921 A-04/12/2010</b>
AUTHOR:	<b>Ashburn</b>
POSITION:	
STATUS:	04/15/2010—Senate Transportation and Housing Committee
SUMMARY:	<b>PEMHCA: Employer Contributions – Shasta County.</b> Declares the intent of the legislature to enact legislation that would enable Shasta County through collective bargaining and by MOU, to allow employer health contributions for employees first hired on or after the effective date of the MOU, to be different from employer contributions for current employees and retirees. <i>Per April 12, 2010 amendment, this bill no longer applies to CalPERS.</i>

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BILL N <sup>o</sup> /VERSION:	<b>SB 922 I-02/01/2010</b>
AUTHOR:	<b>Ashburn</b>
POSITION:	
STATUS:	02/11/2010—Senate Rules Committee
SUMMARY:	<b>PEMHCA: Employer Contributions – Placer County.</b> Declares the intent of the legislature to enact legislation that would enable Placer County, through collective bargaining and by MOU, to allow employer health contributions for employees first hired on or after the effective date of the MOU, to be different from employer contributions for current employees and retirees.

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BILL N <sup>o</sup> /VERSION:	<b>SB 1007 A-3/25/2010</b>
AUTHOR:	<b>Hancock</b>
POSITION:	Support
STATUS:	04/22/2010—In Assembly. Read first time. Held at Desk.
SUMMARY:	<b>Board Campaign Contributions Reporting.</b> Current law requires candidates for the CalPERS Board to file campaign reports as prescribed during the period preceding the campaign and once more afterwards. This bill would require the six elected Board members to file routine campaign reports and maintain related records after an election is concluded consistent with the practice of other elected state officials. The bill would also include these same requirements on the three elected CalSTRS board members.

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BILL N <sup>o</sup> /VERSION:	<b>SB 1088 A-04/13/2010</b>
AUTHOR:	<b>Price</b>
POSITION:	
STATUS:	04/22/2010—Senate Appropriations Committee
SUMMARY:	<b>Dependent Health Coverage to Age 27.</b> States the intent of the Legislature to conform California law regarding dependent health coverage to the federal Patient Protection and Affordable Care Act. Prohibits the limiting age for dependent children covered by health care service plans from being less than 26 years of age regardless of marital status, state of residency, employment status, income level, or whether he or she has children.

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BILL N <sup>o</sup> /VERSION:	<b>SB 1209 A-04/15/2010</b>
AUTHOR:	<b>Romero</b>
POSITION:	Neutral, if amended
STATUS:	04/21/2010—Senate Public Employment and Retirement Committee; failed passage in committee. Reconsideration granted.
SUMMARY:	<b>Retired School Member Death Benefits.</b> Current law requires a \$2000 death benefit be paid to the designated beneficiary of a retired school member. This bill would increase that payment to \$4000 for the designated beneficiary of a retired school member whose death occurs between January 1, 2010 and December 30, 2010; \$4500 between January 1, 2011 and December 30, 2011; and \$5000 on or after January 1, 2012.

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BILL N <sup>o</sup> /VERSION:	<b>SB 1262 I-02/19/2010</b>
AUTHOR:	<b>Aanestad</b>
POSITION:	
STATUS:	04/12/2010—Senate Public Employment and Retirement Committee; failed passage in committee. Reconsideration granted.
SUMMARY:	<b>High Deductible Health Plans: Health Savings Account.</b> Would require the CalPERS Board to offer a high- deductible health plan and a Health Savings Account (HSA) option to public employees and annuitants. It would also establish a trust fund called the Public Employees' Health Savings Fund, in order to cover costs for public employees and annuitants enrolled in the high deductible plan and participating in the HSA.

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BILL N <sup>o</sup> /VERSION:	<b>SB 1271 A-04/05/2010</b>
AUTHOR:	<b>Romero</b>
POSITION:	
STATUS:	04/21/2010—Senate Appropriations Committee
SUMMARY:	<b>Conflict of Interest Reporting.</b> Would require a public retirement board, agency or commission to attach an appendix that lists each position for which an individual occupying that position is required to file a statement of economic interests to its conflict of interest code. This information must also be posted on its website.

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BILL N <sup>o</sup> /VERSION:	<b>SB 1425 A-04/05/2010</b>
AUTHOR:	<b>Simitian</b>
POSITION:	
STATUS:	04/26/2010—Senate Appropriations Committee
SUMMARY:	<b>Final Compensation.</b> Would provide that any change in salary, compensation, or remuneration principally for the purpose of enhancing a CalPERS or CalSTRS member's benefits would not be included in the calculation of a member's final compensation for purposes of determining that member's defined benefit. It would also require that retirees not be allowed to perform services for any employer covered by their own public retirement system until that person had been separated from service for at least 180 days. It also makes the necessary conforming changes in the Public Employees' Retirement Law.

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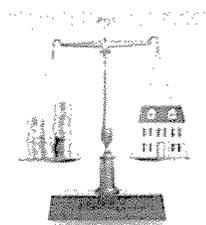
BILL N <sup>o</sup> /VERSION:	<b>SJR 30 I-04/07/2010</b>
AUTHOR:	<b>Kehoe</b>
POSITION:	Support
STATUS:	04/15/2010—Senate Revenue and Taxation Committee
SUMMARY:	<b>457(b) Plans.</b> This resolution declares that the legislature strongly supports action by Congress to extend to participants in 457(b) plans the option to treat elective deferrals as Roth IRA contributions and to provide 457(b) plan participants with savings options similar to participants in 401(k) and Federal Thrift Savings Plans.

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Date:

## Money

MoneyCentral.com/Investing/Extra/



Extra

### U.S. savings rate falls to zero

The personal savings rate hits its lowest rate since 2001 as Americans put their faith in the rising value of their home.

By Christian Science Monitor

Americans have stopped saving for a rainy day.

Instead, they are living paycheck to paycheck, depending on credit cards to get them through emergencies, and hoping that the rising value of their homes will give them a retirement nest egg.

This personal economic chasm is showing up in the national savings rate, which has been declining for years. Tuesday, the Commerce Department reported that the personal savings rate fell to zero in June, the lowest since a one-month buying binge in the aftermath of the 9/11 attacks. The United States is on track to record a savings rate for the year below 1%, which would be the lowest since the depths of the Great Depression, when the rate turned negative.

#### Alarms

The nation's paucity of savings is raising alarms from the Federal Reserve to consumer watchdogs, who worry that the nation is counting on foreign savings to maintain a spendthrift lifestyle. Some groups are cranking up advertising campaigns to try to remind Americans that they don't need to participate in every sale.

And there are now high-level suggestions that the tax system needs to be changed to encourage savings instead of spending.

"In two generations it seems that we've lost the culture and habit of savings," says Nancy Register, of the Consumer Federation of America. "There's so much marketing pressure to spend and buy and have instant gratification. And if you can't buy it now, put it on your credit card."

Last week, Federal Reserve Chairman Alan Greenspan warned that the low savings rate is impairing the nation's long-term economic prospects. An improved savings rate would provide investment money for businesses, which would create jobs, he said.

Though Americans' savings are falling, their net worth is rising in large part because of soaring home prices and some improvement in the stock market, economists say.

#### Various calculations

People spend 6% of all housing market gains and 2% of their stock market gains, says Anthony Chan of JPMorgan Asset Management in Columbus, Ohio. "When you have massive capital gains, you get people spending more, pushing the savings rate down," he says. In fact, other analysts contend the situation may not be as dire as the official statistics indicate. That's because when the Commerce Department calculates the savings rate, it doesn't include things like capital gains and investments in pension plans.

Currently, there are about \$12 trillion dollars in various structured retirement accounts that are not included in the savings rate, says Dallas Salisbury, president and chief executive officer of the Employee Benefit Research Institute in Washington.

"Let's assume that you bought a home and you held it for some number of years and you had a large capital gain. That capital gain would not be calculated as savings and the taxes would be counted as an expense," says Salisbury. "So, even though you may look at it as though you have more savings than before, the Commerce Department does not."

That said, "a large proportion" of Americans are not saving and have never saved, Salisbury acknowledges. "That's largely a function of income. . . . They're just barely managing to survive as it is, and they don't have enough income to save."

A recent Consumer Federation survey found the lack of savings was especially troublesome to women. More than 70% said they worried about their finances in the last year, and two-thirds said that

unexpected expenses -- things like the furnace breaking or the car needing to be fixed -- were the cause of that worry.

That's because they had little or no money set aside. More than 40% of all women had less than \$500 in the bank. For those 25 to 34 years old, the percentage without a rainy day fund jumped to 55%.

### Windfall mentality

One of those is Chris Campbell, a New York actress, who says she's got, "nothing, zip, zero" in the bank. Her parents were "Depression-era" and instilled in their children the importance of saving. But Ms. Campbell says a combination of factors have led to her current impecunious state. One is the nature of acting, which she says is like a lottery.

U.S. saving  
rate since June  
2004

MonthSavings rate

4-Jun 1.50%

4-Jul 1.10%

4-Aug 1.50%

4-Sep 1.00%

4-Oct 1.10%

4-Nov 1.30%

4-Dec 4.40%

5-Jan 0.90%

5-Feb 0.60%

5-Mar 0.50%

5-Apr 0.20%

5-May 0.40%

5-Jun 0.00%

*Source: U.S. Department of Commerce; Christian Science Monitor staff*

"Every once in a while you get a windfall, so you think 'When I get that national (commercial) and it runs all over the place I'll make \$65,000 in one pop, then I'll put half of that in my savings,' " she says. "But then you don't."

She's taken a second job in real estate to boost her savings.

However, for many consumers, there are just too many temptations. For example, last month, the automobile companies offered buyers the option to purchase a new car at an "employee discount rate." Americans flocked to the showrooms, which is one reason that consumer spending jumped a brisk 0.8% in June, outstripping the growth in income.

A surge in spending often takes place during "transitional periods" when, as now, interest rates are rising or about to rise, says Mr. Chan. Consumers "lock in purchases with all the promotions . . . They are more prudent than we give them credit for."

*By Alexandra Marks and Ron Scherer, The Christian Science Monitor*

*The Christian Science Monitor is a general-interest newspaper with thoughtful, independent coverage for a changing world.*