

State of California



**PUBLIC EMPLOYEE POST-EMPLOYMENT
BENEFITS COMMISSION**

September 11, 2007

The Honorable John Chiang
California State Controller
300 Capitol Mall, Suite 1850
Sacramento, CA 95814

Dear Controller Chiang:

Thank you for agreeing to the request of the Public Employee Post-Employment Benefits Commission that you have your actuary run additional sensitivity analyses on some of the assumptions underlying the GASB 43 and 45 Actuarial Valuation Report which was presented to the Commission earlier this year.

Specifically, the Commission would like to request the following changes in assumptions. In each case, we would like the new analyses to be run assuming full funding on the one hand and the continuation of pay-as-you-go on the other.

The requested changes are:

1. The original valuation assumed a closed group. We would like to see the results of assuming an open group.
2. Concerning the assumed health care inflation rate used in the report, we would like to see the effect of that assumption being one percent higher each year as well as one percent lower.
3. Another health care inflation variation of interest is that inflation continues at its current rate for the next ten years and then falls to six percent per year. We would like for you to run an analysis on this variation.
4. The final request concerns the assumption relating to the rate of retirement. What effect would there be on cost if state employees were to retire at twice the assumed rate and at half the assumed rate?

Since the Commission is entering its phase of making final recommendations, we would like to request that the results of these additional analyses be provided to us by October 31, 2007.

Thank you for your assistance.

Sincerely,


ANNE SHEEHAN
Executive Director