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April 17, 2005

Re: Calculation of Community Interest in Pension Plans
Marriage of M and D

Dear Ms. M and Mr. D:

At your request, I have prepared a statement of the value of the community property interest in the retirement benefits for both your retirement plans.

From the information provided, I have determined that:

- Wife is eligible to retire on April 30, 2005 at age 60 when she will have 6.428 years of service
- This retirement date has the greatest community present value.
- The benefit formula provides 2.000% of pay per year of service at this retirement date.
- There is a 2% annual cost of living increase.

I have used the following data and assumptions:

Date of Birth	August 26, 1944
Date of Hire	November 26, 1998 (estimated from data)
Date of Termination	N/A – still employed
Date of Marriage	September 1, 1982
Date of Separation	September 1, 2002
Date of Valuation	April 30, 2005
Mortality Table	RP-2000 (female) – Projected 5 years
Interest Rate	5.00%

The statements provided show that Wife's average compensation under the plan is \$3,000 per month. Her total service as of April 30, 2005 will be 6 years, 5 months. She is currently employed full time.

Determining the community property share of this benefit has been rather interesting. From Ms. M's date of hire until the couple's date of separation, she was a participant in the Cash Balance plan maintained by STRS for its less-than-half-time employees. During the July 1, 2003 to June 30, 2004 fiscal year, Ms. M became eligible to join the STRS defined benefit plan for more-than-half-time employees. She was eligible to and actually did repurchase 5.062 years of service.

The repurchase was funded as follows:

- She rolled \$15,358.68 from the Cash Balance plan to the STRS defined benefit plan to purchase 2.946 years of service credits.
- She deposited \$10,316.95 to purchase 1.979 years. This appears to be separate property, part of her personal savings.
- She deposited \$714.23 to purchase 0.137 years of service credit. This appears to be separate property.

A portion of the \$15,358.68 rolled over from the cash balance plan was community property. I do not have enough data to determine exactly how much is community property and how much is separate property.

I have applied a time-rule fraction to the balance transferred in order to determine the community's share. I estimate the original date of hire was August 1, 1997.¹ The funds accumulated in the Cash Balance plan were sufficient to purchase 2.926 years of service. The date of separation was September 1, 2002.

- The total elapsed time from August 1, 1997 to July 1, 2003 was 71 months.
- The total elapsed time from August 1, 1997 to September 1, 2002 was 61 months.

Therefore, I calculate that $61 / 71$ of 2.946 years (2.531 years) were purchased with community funds.

Date of Retirement	Age at Retirement	Benefit Percent per year	Accrued Service @ Retirement	Accrued Benefit @ Retirement	Marital Fraction
April 30, 2005	60 yr 8 mo	2.000%	6.428	\$385.67	2.531 / 6.428

Date of Retirement	Accrued Marital Benefit	Basic Benefit Value	Value of Post-Retirement Increases 2%	Total Value of Community Property
April 30, 2005	\$151.86	\$24,479.76	\$5,864.89	\$30,344.66

Please note that the value shown is the total amount of the community property with one-half belonging to each spouse.

I believe that these are the figures that you need for your negotiations. Please let me know if I can assist you further. Thank you for this opportunity to serve you.

Sincerely,

Patricia P. Watt
Fellow of the Society of Actuaries
Enrolled Actuary

¹ We know that she worked less than half time from her date of hire to June 30, 2003. Her accumulated service was 2.946 years. Therefore, her date of hire could not be more recent than August 1, 1997.