

**San Mateo County Employees'  
Retirement Association**

**ACTUARIAL VALUATION  
June 30, 2011**

*SamCERA*



By

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September 16, 2011

Board of Retirement  
San Mateo County Employees' Retirement Association  
100 Marine Parkway, Suite 125  
Redwood Shores, CA 94065-5208

Dear Members of the Board:

As requested, we have completed an actuarial valuation for the San Mateo County Employees' Retirement Association (*SamCERA*). The purpose of the valuation is to recommend the employer and member contribution rates for the fiscal year beginning July 1, 2012.

***Actuarial Certification – Per SamCERA Consulting Contract***

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27 and 35. In particular, it reflects the actuary's responsibility under Section 5.8 of ASOP No. 4 for assessing the implications of overall results, in terms of short- and long-range benefit security and expected cost progression.

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our best professional judgment, the assumptions and methodologies as adopted by the Board of Retirement, individually and in combination, are reasonably related to the experience of and the expectations for *SamCERA*, and will not, in and of themselves, expose the retirement system to 'unsound financial risk'. In this regard, we consider 'unsound financial risk' to mean the following:

- A substantial likelihood that future required contribution rates as a percentage of payroll will be dramatically higher than the rates shown in this report, given the uncertainties of actuarial projections and assuming the full payment of all recommended contributions; or
- A substantial likelihood that *SamCERA's* assets will be insufficient to pay benefit payments when due, given the uncertainties of actuarial projections and assuming the full payment of all recommended contributions.

In preparing this report, we have complied with all quality assurance procedures detailed on page 14 of our November 28, 2005 proposal titled "Response for Request for Actuarial Services."

***Actuarial Certification – Milliman***

The major findings of the valuation are contained in this report. This report reflects the benefit provisions and contribution rates in effect as of June 30, 2011. In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by *SamCERA's* staff. This information includes, but is not limited to, statutory provisions, employee data and

This work product was prepared solely for *SamCERA*. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

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financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any data of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for *SamCERA* have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of *SamCERA* and reasonable expectations) and which, in combination, offer a reasonable estimate of anticipated experience affecting *SamCERA*. We will next be reviewing the assumptions in 2014 as part of our triennial investigation.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Retirement has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix A.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for *SamCERA*. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. The computations prepared for this purpose may differ as disclosed in our report. The calculations in this report have been made on a basis consistent with our understanding of *SamCERA*'s current funding requirements and of GASB Statements No. 25. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of *SamCERA*. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

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The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

We would like to express our appreciation to Mr. David Bailey, Chief Executive Officer of *SamCERA*, and to members of his staff, who gave substantial assistance in supplying the data on which this report is based.

We respectfully submit the following report, and we look forward to discussing it with you.

Sincerely,

A handwritten signature in black ink that reads "Nick Collier".

Nick J. Collier, ASA, EA, MAAA  
Consulting Actuary

NJC/nlo

# San Mateo County Employees' Retirement Association

## Table of Contents

	Page
<b>Section 1: Summary of the Findings .....</b>	<b>1</b>
Exhibit 1a Summary of Recommendations .....	2
Exhibit 1b Summary of Recommendations (continued) .....	3
Exhibit 2: Summary of Significant Valuation Results.....	10
<b>Section 2: Scope of the Report .....</b>	<b>11</b>
<b>Section 3: Assets.....</b>	<b>13</b>
Exhibit 3: Statement of Plan Net Assets for the Years Ended June 30, 2010 and 2011..	16
Exhibit 4: Statement of Changes in Plan Net Assets .....	17
Exhibit 5: Allocation of Assets by Accounting Reserve Amounts .....	18
Exhibit 6: Five-Year Smoothing of Gains and Losses on Market Value – History.....	19
Exhibit 7: Five-Year Smoothing – Development of Valuation Assets.....	20
Exhibit 8: Allocation of Valuation Assets .....	21
<b>Section 4: Actuarial Liabilities.....</b>	<b>23</b>
Exhibit 9: Actuarial Balance Sheet – June 30, 2011 .....	24
<b>Section 5: Member Contributions .....</b>	<b>29</b>
Exhibit 10: Sample Member Contribution Rates Effective July 1, 2012 .....	31
<b>Section 6: Employer Contributions.....</b>	<b>33</b>
Exhibit 11a: Calculated Employer Normal Cost Contribution Rates – June 30, 2011 .....	35
Exhibit 11b: Calculated Employer Normal Cost Contribution Rates – June 30, 2011 (continued).....	36
Exhibit 12a: Total Employer Contributions .....	37
Exhibit 12b: Total Employer Contributions (continued) .....	38
Exhibit 12c: Supplemental Detail on UAAL Payments .....	39
<b>Section 7: Information for Comprehensive Annual Financial Report (CAFR) .....</b>	<b>41</b>
Exhibit 13: Schedule of Funding Progress .....	43
Exhibit 14: Schedule of Contributions from the Employer .....	44
Exhibit 15: Solvency Test.....	45
Exhibit 16: History of Employer Contribution Rates .....	46
Exhibit 17: Actuarial Analysis of Financial Experience.....	47
Exhibit 18: Summary of Significant Actuarial Statistics and Measures .....	48
Exhibit 19: Summary of <i>SamCERA</i> Membership .....	49
Exhibit 20: Summary of Active Member Valuation Data.....	50
Exhibit 21: Summary of Demographic Activity of Retirees and Beneficiaries .....	51
Exhibit 22: Average Salary and Active Counts by Employer.....	52
Exhibit 23: Summary of Retired and Inactive Benefits .....	53
Exhibit 24a: Summary of Assumptions.....	54
Exhibit 24b: Summary of Assumptions.....	55

**Table of Contents  
(continued)**

**Appendices**

<b>Appendix A:</b>	<b>Actuarial Procedures and Assumptions .....</b>	<b>A-1</b>
<b>Appendix B:</b>	<b>Summary of Benefit Provisions .....</b>	<b>B-1</b>
<b>Appendix C:</b>	<b>Valuation Data and Schedules .....</b>	<b>C-1</b>
<b>Appendix D:</b>	<b>Member Contribution Rates .....</b>	<b>D-1</b>
<b>Appendix E:</b>	<b>Glossary .....</b>	<b>E-1</b>

# San Mateo County Employees' Retirement Association

## Section 1: Summary of the Findings



### 2011 Valuation Results

	June 30, 2011	June 30, 2010
Employer Contribution Rate	30.97%	31.40%
Funded Ratio	74.1%	70.3%

### Overview

This report presents the results of the June 30, 2011 actuarial valuation. Several key points are summarized as follows:

- **Funding:** The Funded Ratio increased from 70.3% to 74.1%. This increase was primarily due to the required contributions made to fund the plan.
- **Contribution Rates:** The Employer Normal Cost rate of 11.25% decreased from 11.57% reported in the prior year. This rate was influenced in part by the new assumptions adopted as a result of the June 30, 2011 experience study. A revision was also made in the adjustment for the member contribution offset to the Gross Normal Cost for the upcoming year which reduced the Employer Normal Cost rate. Additionally, the rates will vary slightly from year to year as the average entry age of the membership changes and as a greater proportion of members enter Plans 3, 4, 5 & 6, which are less expensive than Plans 1 & 2.

The employer's required contribution rate to finance the Unfunded Actuarial Accrued Liability (UAAL) over 15 years decreased from 19.83% to 19.72%. The overall result is a decrease in the required total contribution rate from the prior valuation of 0.43% (from 31.40% to 30.97% of payroll).

- **Investment Returns:** *SamCERA's* investment return on the market value of assets for the prior year (23.7%, based on Milliman's estimate) was greater than the actuarial assumed rate of 7.75%. However, this was offset by the recognition of investment losses from prior years. The net result was a return on the actuarial value of assets which was slightly less than expected. This caused a small decrease in the system's funding status and a small increase in the required employer contribution rate. The increase in the employer contribution rate due to the actuarial investment return was offset by other factors, and the final result was a small decrease.

Note that currently an \$88 million net asset loss is being deferred. This is because the asset-smoothing method has not yet recognized a portion of the net asset losses from the prior four years. These deferred losses will be reflected in future valuations.

**Overview  
(continued)**

- **New Assumptions:** New assumptions were recently adopted with the June 30, 2011 investigation of experience, with the most significant being a stronger mortality assumption (i.e., longer life expectancies). The overall impact of the assumption changes was a small increase in the required member and employer contribution rates and a decrease in the Funded Ratio.
- **New Benefits:** New benefit provisions and member contributions rates have been negotiated recently for certain employees. For current members as of June 30, 2011, the only change is to members of the California Nurses Association (CNA) who have agreed to contribute 25% of the expected cost of post-retirement cost-of-living-adjustments (COLAs). This is in addition to their current member contributions and cost sharing and begins in January 2012. This change has been reflected in the current valuation report. Note that several new plans began in July 2011; however, they are not reflected in the results as the new plans do not apply to any current members as of the valuation date. Information on these new plans is contained in an addendum to the valuation report.

**Comparison with  
Prior Year**

Note that for comparison purposes, the prior year employer contribution rates shown in this report are those from the June 30, 2010 actuarial valuation. The County is currently contributing at a higher level than those calculated rates.

**Summary of  
Recommendations**

The following exhibit summarizes our recommendations to the Board.

**Exhibit 1a      Summary of Recommendations**

**Recommendation #1: Adopt new employer contribution rates for fiscal year beginning July 1, 2012**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase / (Decrease)</u>
Gross Normal Cost	21.57%	21.28%	0.29%
Member Contributions	(10.32)%	(9.71)%	(0.61)%
Employer Normal Cost	11.25%	11.57%	(0.32)%
UAAL Amortization	19.72%	19.83%	(0.11)%
Total County Rate	30.97%	31.40%	(0.43)%

*Notes:*

- 1) Detailed contribution rates by plan are shown in Section 6, Exhibits 12a & 12b, and page 2 of the Addendum.
- 2) As of the 2011 actuarial valuation, the member contribution rates for current members of the California Nurses Association reflect 25% of the cost of COLA, in addition to previously effective member rates and cost sharing.
- 3) The member contribution rates this year reflect changes resulting from the 2011 Investigation of Experience and a revision to the timing adjustment.

**Exhibit 1b Summary of Recommendations (continued)**

**Recommendation #2: Adopt new member contribution rates for fiscal year beginning July 1, 2012**

	Entry Age	Recommended Rates			Current	Ratio (New/Curr)
		Basic	Cost Sharing	Total as a % of Pay	Total as a % of Pay	
<b>General Members - County<sup>(1)</sup></b>						
Plans 1 & 2	25	6.06%	3.00%	9.06%	9.03%	100.3%
	35	7.25%	3.00%	10.25%	10.22%	100.3%
	45	8.71%	3.00%	11.71%	11.67%	100.3%
Plan 4	25	5.80%	3.00%	8.80%	8.78%	100.2%
	35	6.94%	3.00%	9.94%	9.91%	100.3%
	45	8.29%	3.00%	11.29%	11.26%	100.3%
<b>General Members - SMC M&amp;VCD</b>						
Plans 1 & 2	25	6.06%	0.00%	6.06%	6.03%	100.5%
	35	7.25%	0.00%	7.25%	7.22%	100.4%
	45	8.71%	0.00%	8.71%	8.67%	100.5%
Plan 4	25	5.80%	0.00%	5.80%	5.78%	100.3%
	35	6.94%	0.00%	6.94%	6.91%	100.4%
	45	8.29%	0.00%	8.29%	8.26%	100.4%
<b>Probation Members (Reflects Employer Pick-up)</b>						
Plans 1 & 2	25	6.57%	3.50%	10.07%	10.03%	100.4%
	35	7.88%	3.50%	11.38%	11.33%	100.4%
	45	9.27%	3.50%	12.77%	12.71%	100.5%
Plan 4	25	6.29%	3.50%	9.79%	9.75%	100.4%
	35	7.54%	3.50%	11.04%	10.99%	100.5%
	45	8.72%	3.50%	12.22%	12.16%	100.5%
<b>Safety Members - Other than Deputy Sheriff<sup>(2)</sup></b>						
Plans 1 & 2	25	8.21%	5.00%	13.21%	13.16%	100.4%
	35	9.85%	5.00%	14.85%	14.78%	100.5%
	45	11.59%	5.00%	16.59%	16.52%	100.4%
Plan 4	25	7.86%	5.00%	12.86%	12.81%	100.4%
	35	9.43%	5.00%	14.43%	14.37%	100.4%
	45	10.90%	5.00%	15.90%	15.83%	100.4%

(1) Does not include members of the California Nurses Association, who will also contribute 25% of the cost of the COLA beginning with the 2011 actuarial valuation. See Appendix D of this report for a full schedule of rates.

(2) Cost Sharing varies for Deputy Sheriffs as follows:

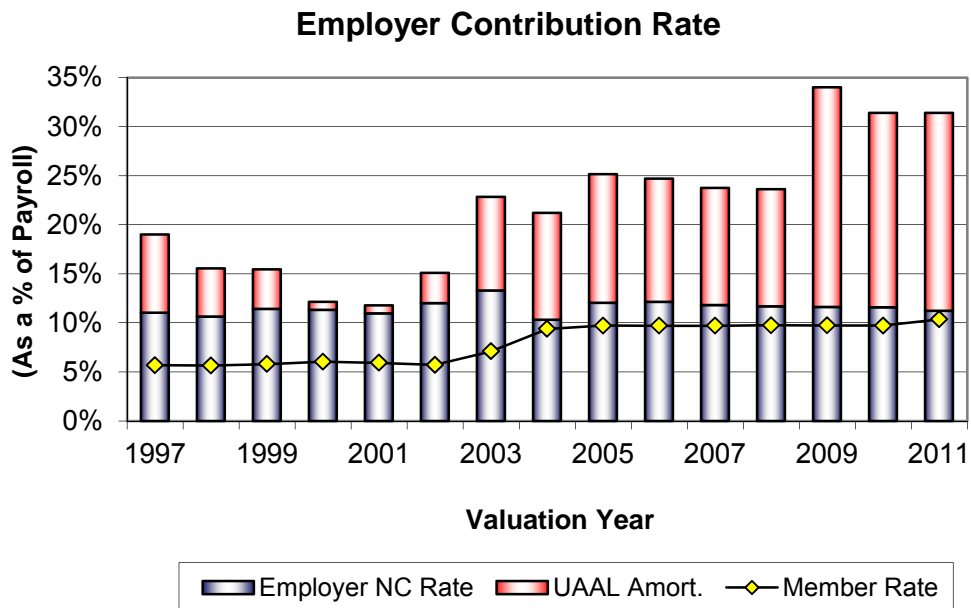
- 3.0% if employee is less than 45 and has less than 5 years of service.
- 3.5% if employee is less than 45 and has between 5 and 15 years of service.
- 4.5% if employee is older than 45 or has at least 15 years of service.

## Employer Contribution Rate

Under the Board's current funding objectives, the calculated employer contribution rate for the fiscal year beginning July 1, 2012 is 30.97% of payroll. This is equal to the payment of the Employer Normal Cost rate plus a 15-year layered amortization of the UAAL for each year beginning with the UAAL as of June 30, 2008. It should be noted that the 30.97% is a weighted average for all *SamCERA* plans. The actual percent of payroll to be contributed by the employer varies by plan. See Exhibits 12a and 12b for the total employer contribution rates by plan.

The new rate is effective for the fiscal year beginning July 1, 2012. The 30.97% contribution rate is currently adequate to maintain the funding of the retirement system benefits based on the actuarial methods and assumptions shown in Appendix A of this report.

A historical perspective of the total employer contribution rate is shown in the following graph.



## Comparison with Last Year

A detailed analysis of the sources of the changes in both the employer contribution rate and the Funded Ratio was performed. As discussed earlier, contributions made to fund the plan were the primary reason for the increase in the Funded Ratio. There were several factors that influenced the employer contribution rate, with the overall impact being a small decrease.

**Comparison with Last Year (continued)**

The following chart shows how the various factors affected the overall funding of *SamCERA*, as compared to the last valuation. The most significant factors are shown in bold.

Sources of Change	Employer Contribution Rate	Funded Ratio
<b>June 30, 2010 Actuarial Valuation</b>	<b>31.40%</b>	<b>70.3%</b>
Expected Year-to-Year Change	0.00%	<b>2.8%</b>
Recognized Asset Gain/Loss		
From Current Year	<b>-0.91%</b>	1.3%
From Prior Years	<b>1.18%</b>	<b>-1.6%</b>
Retiree COLAs Less than Expected	<b>-0.60%</b>	0.6%
Salary / Payroll Variation	-0.05%	1.1%
Change in Average Entry Age and Plan	0.00%	0.0%
Assumption & Method Changes*	0.25%	-0.4%
County Rate > Required	-0.26%	0.0%
Increase in CNA Member Rate	-0.08%	0.0%
Other Experience Changes	0.04%	0.0%
<b>Total Change</b>	<b>-0.43%</b>	<b>3.8%</b>
<b>June 30, 2011 Actuarial Valuation</b>	<b>30.97%</b>	<b>74.1%</b>

\*Includes assumption changes adopted based on the 2011 Investigation of Experience and an adjustment to the methodology for member contribution rate timing.

**Funding Progress**

Based on the 2010 valuation, the expected UAAL as of June 30, 2011 was \$888 million. The actual UAAL for the fiscal year ending June 30, 2011 is \$842 million. This was primarily caused by smaller than assumed salary increases for active members and smaller than assumed cost-of-living adjustments for retired members. There were other factors that had a lesser impact on the UAAL. These factors are shown in detail at the end of Section 4.

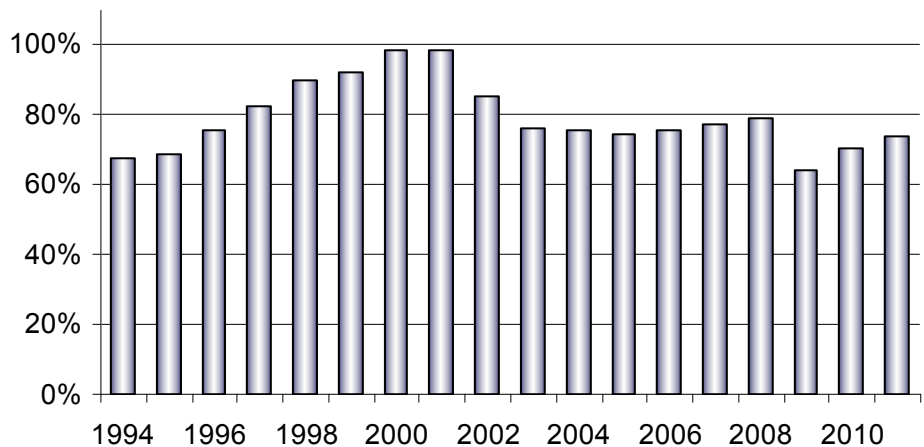
One measure of the funding adequacy of the system is the Funded Ratio, which compares the value of the Actuarial Value of Assets (net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL), for all *SamCERA* plans combined. *SamCERA*'s Funded Ratio increased rapidly in the last half of the 1990's, reaching almost 100% in 2001. However, due primarily to asset losses this decade, the Funded Ratio has decreased significantly since then. Currently, the Funded Ratio is 74.1%; that is, the actuarial value of assets of \$2,405 million is about 26% less than the actuarial accrued liabilities of \$3,247 million. Note that if the market value of assets was used, the Funded Ratio would be 71.4%.

**Funding Progress  
(continued)**

(All dollar amounts in millions)

	Market Value of Total Assets	Actuarial Value		Actuarial Accrued Liability	Funded Ratio
		Valuation	Non-Valuation		
2002	\$1,207	\$1,417	\$32	\$1,661	85.3%
2003	1,233	1,354	34	1,782	76.0
2004	1,435	1,453	31	1,921	75.6
2005	1,599	1,616	0	2,178	74.2
2006	1,790	1,769	0	2,345	75.4
2007	2,132	1,977	0	2,555	77.4
2008	2,011	2,219	0	2,806	79.1
2009	1,591	1,910	0	2,988	63.9
2010	1,816	2,179	0	3,098	70.3
2011	2,317	2,405	0	3,247	74.1

**Historical Funded Ratios**



**Assets**

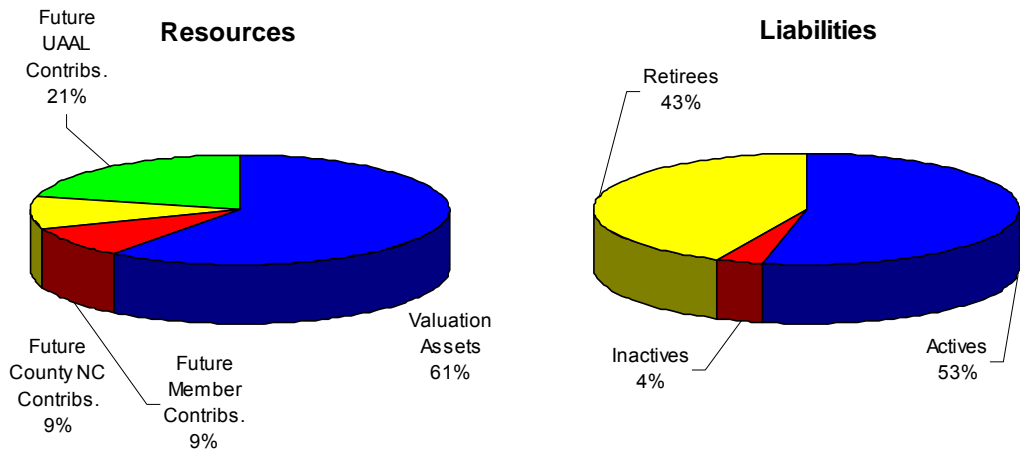
For the fiscal year ending June 30, 2011, we estimate that *SamCERA* earned 23.7%, net of investment expenses, on its market assets. Note that our return figure may be slightly different than that shown in the 2011 CAFR due to timing of contributions and benefit payments, as well as the treatment of expenses.

*SamCERA* uses an asset-smoothing method in the calculation of the UAAL contribution. Under this method, the market value returns are smoothed over a five-year period. Due to the recognition of deferred prior year asset losses, the return on actuarial valuation assets, at 7.2%, net of expenses, was less than the market return.

**Actuarial Balance Sheet**

The first step in the valuation process is to compare the total valuation assets of *SamCERA* with its total liabilities for all plans. In this analysis, *SamCERA*'s resources equal the actuarial assets plus the expected future contributions by both the employers and members. Liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members. This relationship is shown in the following chart. The AAL is the total of these liabilities less expected future Normal Cost contributions.

Comparing the current and future resources to the current and future liabilities, we then determine the annual contribution amount for the coming fiscal year.

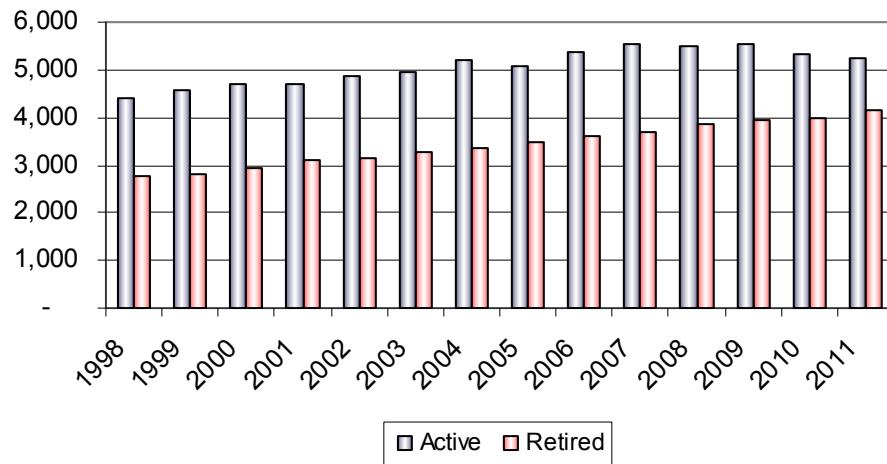


## Member Information

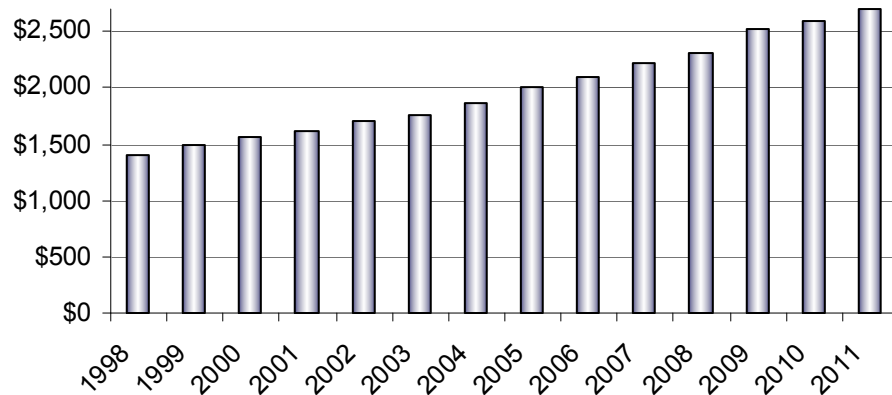
The number of active members included in the valuation decreased by 1.9% from 5,347 in 2010 to 5,245 in 2011.

Retired member counts and average retirement benefit amounts continue to increase steadily. For 2011, there were 4,147 retired members and beneficiaries with an average benefit of \$2,706 per month. This represents a 3.6% increase in count (up from 4,002 in 2010), and a 4.1% increase in the average monthly benefit (up from \$2,601 over the period).

### Membership Count



### Average Monthly Retirement Benefit



## Analysis of Change in Member Population

The following table summarizes the year-to-year change in member population.

	Active Contributing Members	Deferred Members*	Retirees, Disabilities, & Beneficiaries
<b>June 30, 2010 Valuation</b>	<b>5,347</b>	<b>1,207</b>	<b>4,002</b>
Termination without Refund	(173)	173	-
Termination with Refund	(106)	(21)	-
Active/Deferred Death with Annuity	(5)	(2)	7
Service Retirement	(161)	(77)	238
Disability Retirement	(3)	(5)	8
Retiree Death without Beneficiary	-	-	(108)
New Entrants	261	-	-
Rehires	85	(85)	-
<b>Total Change</b>	<b>(102)</b>	<b>(17)</b>	<b>145</b>
<b>June 30, 2011 Valuation</b>	<b>5,245</b>	<b>1,190</b>	<b>4,147</b>

## Summary Valuation Results

The following Exhibit 2 presents a summary of key results from June 30, 2011 and June 30, 2010, and how they changed over the past year. More detail on each of these elements can be found in the following Sections and Exhibits of this report.

## San Mateo County Employees' Retirement Association

### Exhibit 2: Summary of Significant Valuation Results

	June 30, 2011	June 30, 2010	Relative Change
1. Total Membership			
A. Active Members	5,245	5,347	(1.9)%
B. Retired Members & Beneficiaries	4,147	4,002	3.6%
C. Vested Terminated Members	1,190	1,207	(1.4)%
D. Total	10,582	10,556	0.2 %
2. Pay Rate			
A. Annual Total (\$thousands)	\$ 432,542	\$ 437,130	(1.0)%
B. Monthly Average	\$ 6,872	\$ 6,813	0.9%
3. Average Monthly Benefit to Current Retirees and Beneficiaries			
A. Service Retirement	\$ 2,839	\$ 2,723	4.3%
B. Disability Retirement	\$ 2,797	\$ 2,720	2.8%
C. Surviving Spouse and Dependents	\$ 1,836	\$ 1,800	2.0%
D. Total	\$ 2,706	\$ 2,601	4.1%
4. Actuarial Accrued Liability (\$thousands)			
A. Active Members	\$ 1,380,509	\$ 1,353,308	2.0%
B. Retired Members	\$ 1,719,251	\$ 1,588,037	8.3%
C. Vested Terminated Members	\$ 146,967	\$ 157,108	(6.5)%
D. Total	\$ 3,246,727	\$ 3,098,453	4.8%
5. Assets			
A. Market Value of Fund (\$thousands)	\$ 2,317,493	\$ 1,815,896	27.6%
B. Return on Market Value*	23.7%	12.2%	
C. Actuarial Value (\$thousands)	\$ 2,405,140	\$ 2,179,076	10.4%
D. Return on Actuarial Value*	7.2%	12.7%	
<i>* May differ from return reported in CAFR due to timing of contributions and benefit payments and treatment of expenses.</i>			
6. Unfunded Actuarial Accrued Liability or Surplus Funding (\$thousands)	\$ 841,587	\$ 919,377	(8.5)%
7. Required employer contribution rate for all plans combined as a percent of total payroll			
A. Gross Normal Cost	21.57%	21.28%	1.4%
B. Member Contributions	(10.32)%	(9.71)%	6.3%
C. Employer Normal Cost	11.25%	11.57%	(2.8)%
D. UAAL Amortization	19.72%	19.83%	(0.6)%
E. Total Employer Rate	30.97%	31.40%	(1.4)%
8. Funded Ratio (5C / 4D)	74.1%	70.3%	5.3%
9. Results Based on Market Value (No Asset Smoothing) -- For Informational Purposes Only			
A. Total Employer Rate	33.30%	38.96%	(14.5)%
B. Funded Ratio (5A / 4D)	71.4%	58.6%	21.8%

# San Mateo County Employees' Retirement Association

## Section 2: Scope of the Report

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This report presents the actuarial valuation of the San Mateo County Employees' Retirement Association as of June 30, 2011. This valuation was requested by the Board. Section 31453 of the County Employees Retirement Law of 1937 (the '37 Act) requires an actuarial valuation to be performed at least every three years for the purposes of setting contribution rates.

In reading our cover letter, please pay particular attention to the guidelines employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings depend. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of SamCERA. The assets and investment income are presented in Exhibits 3-5. Exhibits 6-8 develop the Actuarial Value of Assets as of June 30, 2011.

Section 4 describes the benefit obligations of SamCERA. Exhibit 9 is the Actuarial Balance Sheet. Additional analysis on the change in UAAL is also provided in this section.

Section 5 discusses the Member contribution rates.

Section 6 discusses the employer contributions needed to fund the benefits under the actuarial cost method in use.

Section 7 discloses the information required under Statement No. 25 of the Governmental Accounting Standards Board (GASB).

This report includes several appendices:

- Appendix A A summary of the actuarial procedures and assumptions used to estimate liabilities and contributions.
- Appendix B A summary of the current benefit structure, as determined by the provisions of governing law on June 30, 2011.
- Appendix C Schedules of valuation data classified by various categories of members by plan.
- Appendix D Member contribution rates by plan.
- Appendix E A glossary of actuarial terms used in this report.
- Addendum Contribution rates for new Plans 5 & 6.

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## San Mateo County Employees' Retirement Association

### Section 3: Assets



In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date which, for this valuation, is June 30, 2011. On that date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the accrued and future actuarial liabilities, which are generally well in excess of the actuarial assets. The purpose of the valuation is to determine what future contributions by the members and employer are needed to pay all expected future benefits.

This section of the report deals with the determination of assets used for funding purposes. In the next section, the actuarial liabilities will be discussed. Sections 5 and 6 deal with the process for determining required contributions based on the relationship between the actuarial assets and the actuarial liabilities.

A historical summary of *SamCERA's* assets is presented below:

	All dollar amounts in millions		
	Market Value of <u>Total Assets</u>	Actuarial Value	
		<u>Non- Valuation Reserves</u>	<u>Valuation Assets</u>
2000	\$ 1,381	\$ 49	\$ 1,271
2001	1,308	51	1,385
2002	1,207	32	1,417
2003	1,233	34	1,354
2004	1,435	31	1,453
2005	1,599	0	1,616
2006	1,790	0	1,769
2007	2,132	0	1,977
2008	2,011	0	2,219
2009	1,591	0	1,910
2010	1,816	0	2,179
2011	2,317	0	2,405

On June 30, 2011, the total market value of the fund was about \$2.32 billion. The actuarial value of the fund was determined to be \$2.41 billion, including the non-valuation reserves.

## Financial Exhibits

Exhibit 3 presents a Statement of Plan Net Assets and Exhibit 4 presents a Statement of Changes in Plan Net Assets. Exhibit 5 describes the allocation of *SamCERA*'s assets by the various reserve values determined for accounting purposes.

Exhibits 3-5 are taken directly from data furnished to us by *SamCERA* for their annual financial report. We have accepted these tables for use in this report without audit, but we have reviewed them for reasonableness and consistency with previous reports.

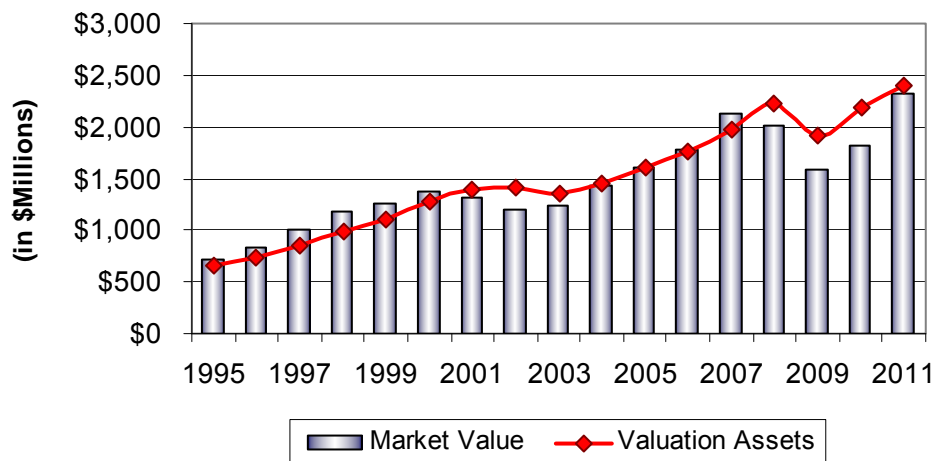
## Actuarial Asset Method

The actuarial asset method computes the expected market value of assets based on the prior year's market value of assets, the actual cash flow of contributions and benefit payments, and the assumed investment rate of return. The current assumed rate of return, as recommended for this valuation, is 7.75%, net of all expenses. The difference between the actual market value and the computed expected market value is smoothed, or recognized over a five-year period.

## Actuarial Value of Assets

The development of the June 30, 2011 actuarial value of assets is shown in Exhibits 6 and 7. Note the smoothing process has recognized all of the investment gains and losses from 2006 and earlier over the last few years. However, there are still portions of investment losses that have not yet been recognized by the asset smoothing method. The result is a market value of assets that is less than the actuarial value. The following graph shows a historical comparison of the actuarial and market assets used for valuation purposes.

### Applicable Valuation Assets



**Valuation Assets**

Valuation Assets are the actuarial value of the fund, less the value of any reserves which have been set aside for current liabilities and special benefits (if any) that are to be funded outside of the actuarially determined contribution rates.

**Allocation of Assets**

Valuation assets are allocated by classification (general, safety and probation) as shown in Exhibit 8. This is because UAAL contribution rates are determined separately by class.

In the calculation of the required contribution rate, the Normal Cost is determined separately for each plan. The UAAL portion of the rate is allocated proportionately to each classification. To determine the UAAL amount by classification, the valuation assets are allocated in proportion to the expected UAAL, after reflecting expected contributions from the prior year to pay down the UAAL.

## San Mateo County Employees' Retirement Association

### Exhibit 3: Statement of Plan Net Assets for the Years Ended June 30, 2010 and 2011

	2011	2010
<b>Assets</b>		
Cash and Cash Equivalents	253,934,047	74,232,656
Securities Lending Cash Collateral	5,196,620	181,645,752
<b>Total Cash</b>	<b>\$ 259,130,667</b>	<b>\$ 255,878,408</b>
Receivables		
Contributions	10,470,382	7,464,274
Due from broker for investments sold	148,074,596	83,850,705
Investment Income	5,800,573	4,654,787
Other receivables	113,735	113,787
Securities Lending Income	67,915	47,428
<b>Total Receivables</b>	<b>164,527,200</b>	<b>96,130,980</b>
Prepaid Expense	7,669	7,669
Investments at Fair Value		
Domestic fixed income securities	585,292,394	505,441,320
Domestic equities	932,277,233	797,467,287
International equities	398,753,172	341,048,550
Real estate	135,475,106	109,210,472
Private Equities	3,458,419	-
Risk Parity	145,620,720	-
Hedge Funds	69,986,280	-
<b>Total Investments</b>	<b>2,270,863,323</b>	<b>1,753,167,629</b>
Capital Assets Net of Depreciation	-	-
<b>Total Assets</b>	<b>2,694,528,860</b>	<b>2,105,184,686</b>
<b>Liabilities</b>		
Payables		
Investment management fees	1,869,336	1,562,410
Due to broker for investments purchased	175,192,142	105,212,469
Collateral Payable for Securities Lending	196,435,881	181,645,752
Mortgage Note Payable		
Due within one year	-	-
Due in more than one year	-	-
Other	3,538,208	867,600
<b>Total Liabilities</b>	<b>377,035,567</b>	<b>289,288,231</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 2,317,493,293</b>	<b>\$ 1,815,896,455</b>

## San Mateo County Employees' Retirement Association

### Exhibit 4: Statement of Changes in Plan Net Assets for the Years Ended June 30, 2010 and 2011

	2011	2010
<b>Additions</b>		
Contributions		
Employer	\$ 150,474,872	\$ 106,265,329
Employee	49,013,027	50,318,477
Total Contributions	<u>199,487,899</u>	<u>156,583,806</u>
Investment Income/(Loss)		
Interest and dividends	44,187,379	42,179,828
Net appreciation/(depreciation) in Fair Value	407,110,954	162,137,189
	<u>451,298,333</u>	<u>204,317,017</u>
Less investment expense	13,926,969	8,905,477
Net Investment Income/(Loss)	<u>437,371,363</u>	<u>195,411,540</u>
Securities Lending Income		
Earnings	558,768	988,514
Less securities lending expense	28,457	245,578
Net Securities Lending Income	<u>530,311</u>	<u>742,936</u>
Other Additions	73,305	41,474
<b>Total Additions/(Declines)</b>	<u><b>637,462,878</b></u>	<u><b>352,779,756</b></u>
<b>Deductions</b>		
Association Benefits		
Service retirement allowances	114,422,667	106,607,286
Disability retirement allowances	14,552,927	14,585,746
Medical Benefits	-	-
Death and other death benefits	858,946	948,059
Total Association Benefits	<u>129,834,541</u>	<u>122,141,091</u>
Refunds of members' contributions	2,474,445	2,736,025
Administrative Expense	3,547,526	3,372,967
Other Expense	9,529	32,776
<b>Total Deductions</b>	<u><b>135,866,040</b></u>	<u><b>128,282,859</b></u>
Net Increase/(Decrease)	501,596,838	224,496,897
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	1,815,896,455	1,591,399,558
<b>End of Year</b>	<u><b>2,317,493,293</b></u>	<u><b>1,815,896,455</b></u>
Estimated Return, Net of Investment Expenses *	23.7%	12.2%

\* May differ from return reported in CAFR due to timing of contributions and benefit payments and treatment of expenses.

**San Mateo County Employees'  
Retirement Association**

**Exhibit 5: Allocation of Assets by Accounting Reserve Amounts  
for the Years Ended June 30, 2010 and 2011**

Valuation Reserves	2011	2010
1. Member Deposit Reserve	\$ 485,125,877	\$ 449,354,818
2. County Advance Reserve	310,568,622	264,507,768
3. Retiree Reserves	765,312,627	693,630,776
4. Cost of Living Reserve	<u>760,505,829</u>	<u>682,673,956</u>
<b>5. Total Valuation Reserves</b>	<b>\$ 2,321,512,954</b>	<b>\$ 2,090,167,318</b>
Non-Valuation Reserves	2011	2010
1. Contingency Reserve		
a. Reserves for Deficiencies in Interest Earnings	\$ -	\$ -
b. Unallocated Earnings / Loss Account	<u>83,627,120</u>	<u>88,908,428</u>
c. Total	\$ 83,627,120	\$ 88,908,428
2. Market Stabilization Account	<u>(87,646,780)</u>	<u>(363,179,291)</u>
<b>3. Total Non-Valuation Reserves</b>	<b>\$ (4,019,660)</b>	<b>\$ (274,270,863)</b>
<b>4. Total Reserves (Market Value of Assets)</b>	<b>\$ 2,317,493,293</b>	<b>\$ 1,815,896,455</b>

Note: These amounts were determined by SamCERA for accounting purposes.

## San Mateo County Employees' Retirement Association

### Exhibit 6: Five-Year Smoothing of Gains and Losses on Market Value – History

#### History of Unexpected Asset Gains and Losses

Six-Month Period Ended	Market Value at Beginning of Period	Contributions	Benefit Payments	Market Value at End of Period	Assumed Rate of Return	Expected Return	Actual Return	Unexpected Gain / (Loss)
6/30/2011	\$ 2,167,939,516	\$ 96,998,690	\$ 67,484,144	2,317,493,293	3.875%	\$ 85,497,449	\$ 120,039,230	\$ 34,541,781
12/31/2010	1,815,896,455	102,489,209	64,824,842	2,167,939,516	3.875%	72,262,382	314,378,695	242,116,312
6/30/2010	1,863,720,265	80,266,609	63,207,613	1,815,896,455	3.875%	73,179,765	(64,882,806)	(138,062,572)
12/31/2009	1,591,399,558	76,317,198	61,669,503	1,863,720,265	3.875%	61,835,437	257,673,013	195,837,576
6/30/2009	1,594,401,527	27,183,773	59,331,550	1,591,399,558	3.875%	61,167,136	29,145,808	(32,021,328)
12/31/2008	2,010,738,768	129,310,873	57,454,173	1,594,401,527	3.875%	80,910,069	(488,193,941)	(569,104,010)
6/30/2008	2,180,911,208	37,433,714	55,033,629	2,010,738,768	3.875%	84,025,724	(152,572,525)	(236,598,249)
12/31/2007	2,131,614,629	128,017,039	52,010,887	2,180,911,208	3.875%	85,498,735	(26,709,573)	(112,208,308)
6/30/2007	2,035,751,839	29,280,037	49,671,897	2,131,614,629	3.875%	78,382,391	116,254,650	37,872,259

## San Mateo County Employees' Retirement Association

### Exhibit 7: Five-Year Smoothing – Development of Valuation Assets

#### Development of Market Stabilization Reserve

Six-Month Period Ended	Percent Excluded	Phase-Out of Gain / (Loss)		
		x	Unexpected Gain / (Loss)	Gain / (Loss) Excluded
6/30/2011	90%	x	\$ 34,541,781	= \$ 31,087,603
12/31/2010	80%	x	242,116,312	= 193,693,050
6/30/2010	70%	x	(138,062,572)	= (96,643,800)
12/31/2009	60%	x	195,837,576	= 117,502,546
6/30/2009	50%	x	(32,021,328)	= (16,010,664)
12/31/2008	40%	x	(569,104,010)	= (227,641,604)
6/30/2008	30%	x	(236,598,249)	= (70,979,475)
12/31/2007	20%	x	(112,208,308)	= (22,441,662)
6/30/2007	10%	x	37,872,259	= <u>3,787,226</u>
Total Gain / (Loss) Excluded = Market Stabilization Reserve =				\$ (87,646,780)

#### Development of Valuation Assets

1. Market Value of Assets as of June 30, 2011		\$ 2,317,493,293
2. Preliminary Market Stabilization Reserve		<u>(87,646,780)</u>
3. Preliminary Actuarial Value of Assets (1) - (2)		2,405,140,073
4. Corridor Around Market Value		
a) Minimum = 80% of Market	1,853,994,634	
b) Maximum = 120% of Market	2,780,991,951	
c) Corridor Adjustment		0
5. Market Stabilization Reserve	(87,646,780)	
6. Gross Actuarial Valuation of Assets (3) - (4c)		\$ 2,405,140,073
7. Non-Valuation Reserves and Designations		
a) Reserves for Interest Fluctuations	0	
b) Medicare Part B Reserve	<u>0</u>	
c) Total		0
8. Valuation Assets (6) - (7c)		\$ 2,405,140,073

**San Mateo County Employees'  
Retirement Association**

**Exhibit 8: Allocation of Valuation Assets**  
(Dollars in Thousands)

	General	Safety	Probation	Total
1. Prior Year UAAL	\$ 630,931	\$ 230,537	\$ 57,909	\$ 919,377
2. Expected UAAL Contribution for Preceding Year	(68,140)	(25,676)	(6,138)	(99,954)
3. Expected Interest at 7.75%	46,306	16,890	4,255	67,451
4. Expected UAAL Based on Prior Year Assumptions	609,097	221,751	56,026	886,874
5. Percentage of Total Expected UAAL	68.68%	25.00%	6.32%	100.00%
6. Actual UAAL Based on Prior Year Assumptions				822,133
7. Actual AAL Based on Prior Year Assumptions	\$ 2,379,915	\$ 657,404	\$ 189,954	\$ 3,227,273
8. Allocated UAAL Based on Prior Year Assumptions	564,634	205,563	51,936	822,133
<b>9. Actuarial Value of Assets</b>	<b>\$ 1,815,281</b>	<b>\$ 451,841</b>	<b>\$ 138,018</b>	<b>\$ 2,405,140</b>

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## San Mateo County Employees' Retirement Association

### Section 4: Actuarial Liabilities

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In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of *SamCERA*'s assets as of the valuation date, June 30, 2011. In this section, the discussion will focus on the commitments of *SamCERA* for retirement benefits, which are referred to as its actuarial liabilities.

In an active system, the actuarial liabilities will almost always exceed the actuarial assets. This is usually expected in all but a fully closed down fund, where no further contributions of any sort are anticipated. This deficiency has to be provided by future contributions and investment returns. An actuarial valuation method sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion. The determination of the level of future contributions needed is discussed in the next section.

#### Actuarial Balance Sheet – Liabilities

First, we need to determine the amount of the deficiency. We compare the Actuarial Value of the Valuation Assets to the Actuarial Liabilities. The difference is the amount that needs to be funded by the member and employer contributions in the future. Both the current and future assets (contributions) are compared to the actuarial liabilities in the Actuarial Balance Sheet.

Exhibit 9 contains an analysis of the actuarial present value of all future benefits for retired, deferred vested and active members. The analysis is given by class of membership and by type of benefit.

The actuarial liabilities include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and inactive, the value extends over the rest of their lives and for the lives of any surviving beneficiaries. All liabilities reflect the benefits effective through June 30, 2011.

The actuarial assumptions used to determine the liabilities are based on the results of our investigation of experience report for the period ending April 30, 2011. These assumptions were adopted by the Board at their July 2011 meeting and are shown in Appendix A. The assumptions will next be reviewed in detail in 2014 as part of the triennial investigation.

**San Mateo County Employees'  
Retirement Association**

**Exhibit 9: Actuarial Balance Sheet – June 30, 2011  
(Dollars in Thousands)**

Resources				
	General	Safety	Probation	Total
Valuation Assets (Actuarial)	\$ 1,815,281	\$ 451,841	\$ 138,018	\$ 2,405,140
Present Value of Future Member Contributions	\$ 290,602	\$ 52,084	\$ 23,595	\$ 366,281
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	\$ 264,706	\$ 71,889	\$ 44,202	\$ 380,797
b) Unfunded Actuarial Accrued Liability	\$ 579,208	\$ 209,839	\$ 52,540	\$ 841,587
<b>Total Resources</b>	<b>\$ 2,949,797</b>	<b>\$ 785,653</b>	<b>\$ 258,355</b>	<b>\$ 3,993,805</b>

Liabilities				
	General	Safety	Probation	Total
Present Value of Future Benefits				
1. Present Retired Members	\$ 1,232,144	\$ 402,812	\$ 84,295	\$ 1,719,251
2. Current Inactive Members	123,503	17,427	6,037	146,967
3. Current Active Members				
- Service Retirement	1,433,851	333,057	150,722	1,917,630
- Disability Retirement	55,822	16,385	8,355	80,562
- Death Benefits	23,588	6,741	3,321	33,650
- Deferred Vested Benefit	56,020	7,843	5,090	68,953
- Refund of Member Contributions	24,869	1,388	535	26,792
- Total Active	1,594,150	365,414	168,023	2,127,587
<b>Total Actuarial Liabilities</b>	<b>\$ 2,949,797</b>	<b>\$ 785,653</b>	<b>\$ 258,355</b>	<b>\$ 3,993,805</b>

## **Actuarial Balance Sheet – Resources**

For the purpose of the Actuarial Balance Sheet, *SamCERA's* resources are equal to the sum of:

- (a) Assets currently available to pay benefits and considered for funding purposes, the Valuation Assets,
- (b) The present value of future contributions expected to be made by current active Members, and
- (c) The present value of future contributions expected to be made by the employer.

## **Actuarial Cost Method**

The Actuarial Balance sheet determines the amount of future contributions that are needed, but the method used to determine the incidence of when those future contributions are yet to be made in future years is called the “actuarial cost method”. For this valuation, the entry age actuarial cost method has been used. Under this method – or essentially any actuarial cost method – the contributions required to meet the difference between current assets and current actuarial liabilities are allocated each year between two elements:

- A Normal Cost amount; and
- Whatever amount is left over, which is used to amortize what is called the UAAL.

## **Normal Cost**

The two items described above, the Normal Cost and UAAL, are the keys to understanding the actuarial cost method.

The Normal Cost is the theoretical contribution rate that will meet the ongoing costs of a group of average new employees. Suppose that a group of new employees was covered under a separate fund from which all benefits and to which all contributions and associated investment returns were paid.

Under the entry age actuarial cost method, the Normal Cost contribution rate maintains the funding of benefits as a level percentage of pay. If experience follows the actuarial assumptions precisely, the fund would be completely liquidated when the last payment to the last survivor of the group was made.

**Normal Cost  
(continued)**

By applying the Normal Cost contribution rate to the present value of salaries expected to be paid in the future, we determine the present value of future Normal Cost contributions. Future contributions are expected to be made by both the members and the employer. The member contribution rates are determined based upon requirements established in the '37 Act and the actuarial assumptions. Based on these member contribution rates, we determine the present value of future member contributions. We subtract that value from the total future Normal Cost contributions expected, based on the entry age cost method. The remaining difference is the employer's portion of the future Normal Cost contributions.

**Actuarial Accrued  
Liability**

The difference between the present value of all future obligations and the present value of the future Normal Cost contributions is referred to as the "actuarial accrued liability". The AAL is then compared to the value of assets available to fund benefits, and the difference is referred to as the UAAL. The results for *SamCERA* for all plans are summarized below:

(Dollars in millions)	<u>2011</u>	<u>2010</u>	<u>Percent Change</u>
A. Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors	\$ 3,994	\$ 3,835	4.1%
B. Actuarial present value of total future Normal Costs for current members	<u>747</u>	<u>737</u>	1.4%
C. Actuarial accrued liability [A-B]	\$ 3,247	\$ 3,098	4.8%
D. Valuation Assets	<u>2,405</u>	<u>2,179</u>	10.4%
E. UAAL or Surplus Funding [C-D]	\$ 842	\$ 919	(8.5)%
F. Funded Ratio [D/C]	74.1%	70.3%	5.3%

## Unfunded Actuarial Accrued Liability/ Surplus Funding

The portion allocated to service already rendered or accrued is called the Actuarial Accrued Liability. The difference between the Actuarial Accrued Liability and the Valuation Assets is called the Unfunded Actuarial Accrued Liability (UAAL). If a UAAL amount exists, it usually results from prior years' benefit or assumption changes and the net effect of accumulated gains and losses. If the employer had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the present value of all future Normal Cost contributions would be sufficient to fund all benefits and there would be no UAAL.

Exhibit 9 shows how the UAAL was derived for each classification. In the Actuarial Balance sheet, the total actuarial accrued liability for all future benefits must be equal to the current and future assets.

## Funding Adequacy

A key consideration in determining the adequacy of the funding of *SamCERA* is how the UAAL is being funded. If the UAAL amount is positive, that is, the Actuarial Accrued Liability to be funded is greater than the Valuation Assets, then the UAAL is amortized. Under the current funding method, the June 30, 2008 UAAL is amortized over a fixed period ending June 30, 2023. Any change in the UAAL in future years will be amortized separately over new 15-year periods from the valuation date at which the difference is calculated, including the change in UAAL as of June 30, 2011.

## Analysis of Change in UAAL

The UAAL, at any date after establishment of a system, is affected by any actuarial gains or losses arising when the actual experience of the system varies from the experience anticipated by the actuarial assumptions used in the valuations. To the extent actual experience, as it develops, differs from that expected according to the assumptions used, so also will the emerging costs differ from the estimated costs.

The 2011 actuarial valuation reflects a decrease in the UAAL of \$77.8 million for the fiscal year just ended.

<b>Unfunded Actuarial Accrued Liability - June 30, 2010</b>	<b>\$</b>	<b>919.4</b>
Expected Increase / (Decrease) *		(31.5)
<b>Expected UAAL - June 30, 2011</b>	<b>\$</b>	<b>887.9</b>
Asset (Gains) and Losses		12.5
Retiree COLA Less than Expected		(27.6)
Salary Increases Less than Expected		(48.5)
Assumption Changes		19.4
Other Liability (Gain)/Loss		(2.1)
<b>Total Changes</b>		<b>(46.3)</b>
<b>Actual UAAL - June 30, 2011</b>	<b>\$</b>	<b>841.6</b>

\* Based on calculated contribution.

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## San Mateo County Employees' Retirement Association

### Section 5: Member Contributions



#### Basic Contributions

For *SamCERA*, member contributions are of two types: Basic contributions and Cost Sharing contributions.

Basic contributions for each plan are defined in the following sections of the County Employees' Retirement Law:

Plan	Code Section	Contribution Provides Average Annuity of
General Plans 1, 2 & 4	31621.9	1/120 <sup>th</sup> of FAC at age 55
General Plan 5	31621	1/120 <sup>th</sup> of FAC at age 60
Probation & Safety	31639.25	1/100 <sup>th</sup> of FAC at age 50

*FAC = Final Average Compensation*

There are no member contributions under General Plan 3.

Basic member contributions are determined using the Entry Age Normal Funding Method and the following actuarial assumptions:

1. Expected rate of return on assets
2. Individual salary increase rate (wage growth + merit)
3. Mortality for members on service retirement
4. No COLAs are assumed

The member contribution rates were recalculated as of the June 30, 2011 valuation to reflect the assumptions adopted in the June 30, 2011 investigation of experience report. The rates are shown in Appendix D.

#### Cost-Sharing Contributions

In addition to the basic rate, Plan 1, 2 and 4 County employees make additional cost-sharing contributions as shown in Appendix B. For valuation purposes, cost-sharing contributions are assumed to be permanent. The cost-sharing contributions are fixed and not impacted by changes in assumptions.

#### Cost-of-Living Contributions

Beginning in January 2012, current (as of August 6, 2011) members of the California Nurses Association will contribute 25% of the cost of COLA, in addition to all base and cost-sharing rates applicable. This change has been reflected in the 2011 valuation.

Other current members do not contribute towards the cost-of-living benefit.

**Member Contribution Rates**

A sample of the current member contribution rates (basic plus cost-sharing) can be found in Exhibit 10.

Note that a portion of some of the member contribution rates is paid for (“picked up”) by the employer and may or may not be considered part of the member’s contribution account for refund purposes. Consistent with past practice, we have reflected the pick-up for Probation members, but not other classes, due to the differing treatment of contributions for refund purposes.

Full disclosure of the member rates, showing both the basic and the total (basic plus cost-sharing) contribution rates, can be found in Appendix D.

## San Mateo County Employees' Retirement Association

### Exhibit 10: Sample Member Contribution Rates Effective July 1, 2012

	Entry Age	Recommended Rates			Current	Ratio (New/Curr)
		Basic	Cost Sharing	Total as a % of Pay	Total as a % of Pay	
<b>General Members - County<sup>(1)</sup></b>						
Plans 1 & 2	25	6.06%	3.00%	9.06%	9.03%	100.3%
	35	7.25%	3.00%	10.25%	10.22%	100.3%
	45	8.71%	3.00%	11.71%	11.67%	100.3%
Plan 4	25	5.80%	3.00%	8.80%	8.78%	100.2%
	35	6.94%	3.00%	9.94%	9.91%	100.3%
	45	8.29%	3.00%	11.29%	11.26%	100.3%
<b>General Members - SMC M&amp;VCD</b>						
Plans 1 & 2	25	6.06%	0.00%	6.06%	6.03%	100.5%
	35	7.25%	0.00%	7.25%	7.22%	100.4%
	45	8.71%	0.00%	8.71%	8.67%	100.5%
Plan 4	25	5.80%	0.00%	5.80%	5.78%	100.3%
	35	6.94%	0.00%	6.94%	6.91%	100.4%
	45	8.29%	0.00%	8.29%	8.26%	100.4%
<b>Probation Members (Reflects Employer Pick-up)</b>						
Plans 1 & 2	25	6.57%	3.50%	10.07%	10.03%	100.4%
	35	7.88%	3.50%	11.38%	11.33%	100.4%
	45	9.27%	3.50%	12.77%	12.71%	100.5%
Plan 4	25	6.29%	3.50%	9.79%	9.75%	100.4%
	35	7.54%	3.50%	11.04%	10.99%	100.5%
	45	8.72%	3.50%	12.22%	12.16%	100.5%
<b>Safety Members - Other than Deputy Sheriff<sup>(2)</sup></b>						
Plans 1 & 2	25	8.21%	5.00%	13.21%	13.16%	100.4%
	35	9.85%	5.00%	14.85%	14.78%	100.5%
	45	11.59%	5.00%	16.59%	16.52%	100.4%
Plan 4	25	7.86%	5.00%	12.86%	12.81%	100.4%
	35	9.43%	5.00%	14.43%	14.37%	100.4%
	45	10.90%	5.00%	15.90%	15.83%	100.4%

(1) Does not include members of the California Nurses Association, who will also contribute 25% of the cost of the COLA beginning with the 2011 actuarial valuation. See Appendix D of this report for a full schedule of rates.

(2) Cost Sharing varies for Deputy Sheriffs as follows:

3.0% if employee is less than 45 and has less than 5 years of service.

3.5% if employee is less than 45 and has between 5 and 15 years of service.

4.5% if employee is older than 45 or has at least 15 years of service.

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# San Mateo County Employees' Retirement Association

## Section 6: Employer Contributions

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Contributions to *SamCERA* are determined using the Entry Age Normal Cost Funding Method. The portion of the actuarial present value of retirement benefits allocated to a valuation year by the Actuarial Cost Method is called the Normal Cost. These amounts are usually expressed as a percentage of payroll and called the Normal Cost Contribution Rate. Exhibits 11a & 11b illustrate the Normal Cost Rates by type of benefit and for each plan based on this valuation. A comparison with last year is also shown.

### Calculated Contribution Rate

It should be noted that when we use the term “Gross Normal Cost rate,” we are referring to the value of benefits earned by active members allocated to the valuation year. The Employer Normal Cost is the portion of the annual benefit that the employer is responsible for. This is simply the Gross Normal Cost rate less the contributions made by the members.

The total calculated employer contribution rates for each plan, along with a comparison to the prior year’s computed rates, can be found in Exhibits 12a & 12b. These results are expressed as a percentage of payroll and annual contribution dollars. Note that *SamCERA*’s UAAL is determined separately for each class. Thus, the employer funds the UAAL evenly as a percentage of pay over salaries for all members within a class.

The total calculated employer contribution rate was 31.40% for the fiscal year beginning July 1, 2011. For the fiscal year beginning in 2012, the calculated rate based on this report decreased to 30.97%. This is equal to the aggregate Employer Normal Cost contribution rate of 11.25% based on Milliman’s 2011 valuation, plus appropriate amounts to amortize the UAAL according to the funding policy, over layered 15-year closed periods.

### Employer Contribution Rate (all values as a % of Payroll)

Employer Normal Cost	11.25%
Total Amortization of UAAL	<u>19.72%</u>
Total Employer Contribution	30.97%

## Calculated Contribution Rate (continued)

The UAAL rate reflects a layered 15-year amortization beginning with the June 30, 2008 valuation. Gains and losses after that date are reflected over new 15-year periods starting with the valuation date. A one-year deferral in the implementation of the new rate is reflected. Therefore, the new employer contribution rate calculated in the 2011 valuation is paid over the remaining 14 years and is effective July 1, 2012.

Exhibit 12c shows detail information on how the contribution rate is calculated using the layered method.

Note that in the following exhibits "SMCM&VCD" refers to the San Mateo County Mosquito and Vector Control District.

## Changes in the Normal Cost Rate

The change in the calculated Normal Cost contribution rates from year-to-year is generally due to two factors. The two factors are:

- (1) **Experience:** Normal experience from year-to-year, reflecting differences in both the weighting between membership groups and in their characteristics, as well as on what was assumed to occur during the past fiscal year and what actually occurred, particularly with respect to salary increases and turnover experience. Based on current system benefit provisions, the aggregate Normal Cost rate is expected to decrease as a greater number of members are covered by Plans 3 and 4, instead of the slightly more expensive Plans 1 and 2. However, the change will be fairly gradual. This trend will continue as new members join Plans 5 and 6.
- (2) **Contribution Shut-Off:** For general members hired prior to March 7, 1973 and all Safety members, basic member contributions are not collected after the member has 30 years of service. Thereafter, the member contributions towards the total annual Normal Cost is equal to the cost-sharing, resulting in a sizable increase in the employer's share of the Normal Cost contributions for the years when the member has more than 30 years of service. The employer's share of the Normal Cost rates for those groups can be expected to increase rather than remain level, as otherwise expected under the entry age cost method. As most general members hired prior to March 7, 1973 have now attained 30 years of service, this statement applies mainly to Safety groups.

Additionally, this year the Normal Cost changed due to the adoption of new assumptions with the June 30, 2011 experience study. Finally, we made a slight adjustment to the methodology for the member normal cost contribution timing, which resulted in a reduction to the Employer Normal Cost Rate.

## San Mateo County Employees' Retirement Association

### Exhibit 11a: Calculated Employer Normal Cost Contribution Rates – June 30, 2011

A. Normal Cost Contribution Rate	General - County (Excluding CNA members)					General - CNA Members**					General - SMCM&VCD*			
	Plan 1	Plan 2	Plan 3	Plan 4	Total	Plan 1	Plan 2	Plan 3	Plan 4	Total	Plan 1	Plan 2	Plan 4	Total
Service Retirement	15.96%	16.38%	7.23%	15.73%	15.64%	15.96%	16.38%	7.23%	15.73%	15.64%	13.74%	22.04%	14.24%	15.63%
Disability Retirement	0.77%	0.89%	0.00%	0.99%	0.93%	0.77%	0.89%	0.00%	0.99%	0.93%	0.64%	1.20%	0.90%	0.22%
Death while Active	0.28%	0.32%	0.00%	0.31%	0.30%	0.28%	0.32%	0.00%	0.31%	0.30%	0.29%	0.47%	0.29%	0.30%
Termination (No Refund)	1.31%	1.22%	0.46%	1.20%	1.19%	1.31%	1.22%	0.46%	1.20%	1.19%	1.34%	1.12%	1.23%	1.23%
Refund of Member Contributions	1.50%	1.51%	0.00%	1.56%	1.50%	1.50%	1.51%	0.00%	1.56%	1.50%	0.92%	1.20%	1.06%	1.06%
<b>Total</b>	<b>19.82%</b>	<b>20.32%</b>	<b>7.69%</b>	<b>19.79%</b>	<b>19.56%</b>	<b>19.82%</b>	<b>20.32%</b>	<b>7.69%</b>	<b>19.79%</b>	<b>19.56%</b>	<b>16.93%</b>	<b>26.03%</b>	<b>17.72%</b>	<b>18.44%</b>
B. Member Contributions	(9.27)%	(9.94)%	0.00%	(10.26)%	(9.85)%	(10.69)%	(11.12)%	0.00%	(11.10)%	(10.86)%	0.00%	(8.57)%	(6.83)%	(6.47)%
C. Net Employer Normal Cost as of June 30, 2011 (A) - (B)	10.55%	10.38%	7.69%	9.53%	9.71%	9.13%	9.20%	7.69%	8.69%	8.70%	16.93%	17.46%	10.89%	11.97%
D. Net Employer Normal Cost as of June 30, 2010	11.18%	10.83%	7.81%	9.79%	10.05%	11.18%	10.83%	7.81%	9.79%	10.05%	10.76%	16.52%	10.93%	11.70%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	(0.63)%	(0.45)%	(0.12)%	(0.26)%	(0.34)%	(2.05)%	(1.63)%	(0.12)%	(1.10)%	(1.35)%	6.17%	0.94%	(0.04)%	0.27%

\* Normal Cost rates for Mosquito and Vector Control District reflect adoption of "enhanced" General County benefit formula beginning with 2010 actuarial valuation.

\*\* General County members belonging to the California Nurses' Association (CNA) contribute 25% of the cost of the COLA, in addition to regular member rates and cost sharing. The Gross Normal Cost Rate shown is the aggregate rate by Plan for General County and General CNA members.

## San Mateo County Employees' Retirement Association

### Exhibit 11b: Calculated Employer Normal Cost Contribution Rates – June 30, 2011 (continued)

	Safety				Probation				All Plans
	Plan 1	Plan 2	Plan 4	Total	Plan 1*	Plan 2	Plan 4	Total	
<b>A. Normal Cost Contribution Rate</b>									
Service Retirement	33.43%	27.91%	26.35%	26.92%	28.29%	27.22%	24.57%	25.26%	17.48%
Disability Retirement	1.97%	1.97%	2.38%	2.24%	1.77%	1.89%	1.93%	1.92%	1.14%
Death while Active	1.01%	0.99%	0.91%	0.94%	1.03%	0.88%	0.84%	0.85%	0.41%
Termination (No Refund)	1.19%	1.31%	1.21%	1.24%	1.42%	1.29%	1.29%	1.29%	1.20%
Refund of Member Contributions	0.66%	0.64%	0.75%	0.71%	0.48%	0.53%	0.56%	0.55%	1.35%
<b>Total</b>	<b>38.26%</b>	<b>32.82%</b>	<b>31.60%</b>	<b>32.05%</b>	<b>32.99%</b>	<b>31.81%</b>	<b>29.19%</b>	<b>29.87%</b>	<b>21.57%</b>
<b>B. Member Contributions</b>	<b>(10.57)%</b>	<b>(12.99)%</b>	<b>(13.14)%</b>	<b>(13.08)%</b>	<b>(3.50)%</b>	<b>(10.24)%</b>	<b>(10.39)%</b>	<b>(10.35)%</b>	<b>(10.32)%</b>
<b>C. Net Employer Normal Cost as of June 30, 2011 (A) - (B)</b>	<b>27.69%</b>	<b>19.83%</b>	<b>18.46%</b>	<b>18.97%</b>	<b>29.49%</b>	<b>21.57%</b>	<b>18.80%</b>	<b>19.52%</b>	<b>11.25%</b>
<b>D. Net Employer Normal Cost as of June 30, 2010</b>	<b>25.55%</b>	<b>20.31%</b>	<b>18.06%</b>	<b>19.01%</b>	<b>24.36%</b>	<b>22.13%</b>	<b>18.88%</b>	<b>19.85%</b>	<b>11.57%</b>
<b>E. Increase (Decrease) as a Percentage of Payroll (C) - (D)</b>	<b>2.14%</b>	<b>(0.48)%</b>	<b>0.40%</b>	<b>(0.04)%</b>	<b>5.13%</b>	<b>(0.56)%</b>	<b>(0.08)%</b>	<b>(0.33)%</b>	<b>(0.32)%</b>

\* Only two active members remain in Probation Plan 1 remain. Both are assumed to retire immediately; therefore, there is no normal cost calculated for the upcoming year. The Normal Cost Contribution Rate is set equal to the prior year's rate. The member rate is set equal to the cost-sharing rate, since the basic member rate has been "shut off."

## San Mateo County Employees' Retirement Association

### Exhibit 12a: Total Employer Contributions (Dollars In Thousands)

	General - County (Excludes CNA members)					General - CNA Members					General - SMCM&VCD**			
	Plan 1	Plan 2	Plan 3	Plan 4	Total	Plan 1	Plan 2	Plan 3	Plan 4	Total	Plan 1	Plan 2	Plan 4	Total
A. Basic Employer Normal Cost Rate	4.49%	5.44%	7.69%	6.09%	5.94%	3.88%	4.82%	7.69%	5.55%	5.32%	11.65%	11.20%	7.80%	8.44%
B. COLA Normal Cost Rate	6.06%	4.94%	0.00%	3.44%	3.77%	5.23%	4.38%	0.00%	3.14%	3.38%	5.28%	6.26%	3.09%	3.53%
C. Employer Normal Cost Rate	10.55%	10.38%	7.69%	9.53%	9.71%	9.11%	9.20%	7.69%	8.69%	8.70%	16.93%	17.46%	10.89%	11.97%
D. UAAL Contribution Rate	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%
<b>E. Total June 30, 2011 Contribution Rate (C) + (D)</b>	<b>26.96%</b>	<b>26.79%</b>	<b>24.10%</b>	<b>25.94%</b>	<b>26.12%</b>	<b>25.52%</b>	<b>25.61%</b>	<b>24.10%</b>	<b>25.10%</b>	<b>25.11%</b>	<b>33.34%</b>	<b>33.87%</b>	<b>27.30%</b>	<b>28.38%</b>
F. Total June 30, 2010 Contribution Rate***	27.53%	27.18%	24.16%	26.14%	26.40%	27.53%	27.18%	24.16%	26.14%	26.40%	27.11%	32.87%	27.28%	28.05%
G. Estimated Payroll for fiscal year beginning July 1, 2012	\$ 5,242	\$ 89,140	\$ 10,481	\$ 230,679	\$ 335,542	\$ 748	\$ 11,783	\$ 886	\$ 26,766	\$ 40,183	\$ 127	\$ 146	\$ 1,269	\$ 1,542
<b>H. Estimated Annual Contribution (E x G)*</b>	<b>\$ 1,413</b>	<b>\$ 23,876</b>	<b>\$ 2,525</b>	<b>\$ 59,827</b>	<b>\$ 87,628</b>	<b>\$ 191</b>	<b>\$ 3,017</b>	<b>\$ 213</b>	<b>\$ 6,717</b>	<b>\$ 10,088</b>	<b>\$ 42</b>	<b>\$ 49</b>	<b>\$ 346</b>	<b>\$ 438</b>

\* Estimated contributions shown for illustrative purposes based on monthly contributions. Actual contributions will vary depending on actual payroll and timing.

\*\*Normal Cost rates for Mosquito and Vector Control District reflect adoption of "enhanced" General County benefit formula beginning with 2010 actuarial valuation.

\*\*\*Prior year rates shown are those calculated in the June 30, 2010 actuarial valuation. The County elected to contribute higher rates than those shown.

## San Mateo County Employees' Retirement Association

### Exhibit 12b: Total Employer Contributions (continued) (Dollars In Thousands)

	Safety				Probation				All Plans
	Plan 1	Plan 2	Plan 4	Total	Plan 1	Plan 2	Plan 4	Total	
A. Basic Employer Normal Cost Rate	14.57%	10.89%	12.22%	11.80%	14.59%	12.92%	12.96%	12.96%	7.02%
B. COLA Normal Cost Rate	13.12%	8.94%	6.24%	7.17%	14.90%	8.65%	5.84%	6.56%	4.23%
C. Employer Normal Cost Rate	27.69%	19.83%	18.46%	18.97%	29.49%	21.57%	18.80%	19.52%	11.25%
D. UAAL Contribution Rate	40.16%	40.16%	40.16%	40.16%	21.62%	21.62%	21.62%	21.62%	19.72%
<b>E. Total June 30, 2011 Contribution Rate (C) + (D)</b>	<b>67.85%</b>	<b>59.99%</b>	<b>58.62%</b>	<b>59.13%</b>	<b>51.11%</b>	<b>43.19%</b>	<b>40.42%</b>	<b>41.14%</b>	<b>30.97%</b>
F. Total June 30, 2010 Contribution Rate**	70.05%	64.81%	62.56%	63.51%	45.98%	43.75%	40.50%	41.47%	31.40%
G. Estimated Payroll for fiscal year beginning July 1, 2012	\$ 922	\$ 18,126	\$ 36,182	\$ 55,230	\$ 192	\$ 7,015	\$ 18,875	\$ 26,082	\$ 457,037
<b>H. Estimated Annual Contribution (E x G)*</b>	<b>\$ 626</b>	<b>\$ 10,874</b>	<b>\$ 21,211</b>	<b>\$ 32,659</b>	<b>\$ 98</b>	<b>\$ 3,030</b>	<b>\$ 7,629</b>	<b>\$ 10,730</b>	<b>\$ 141,544</b>

\* Estimated contributions shown for illustrative purposes based on monthly contributions. Actual contributions will vary depending on actual payroll and timing.

\*\*Prior year rates shown are those calculated in the June 30, 2010 actuarial valuation. The County elected to contribute higher rates than those shown.

## San Mateo County Employees' Retirement Association

### Exhibit 12c: Supplemental Detail on UAAL Payments (Dollars in Thousands)

General							
Date Established	Description	Balance as of June 30, 2011	Interest on Balance	Amort. Payment on June 30, 2012 <sup>1</sup>	Balance as of June 30, 2012 <sup>2</sup>	Remaining Period as of June 30, 2012	July 1, 2012 Amortization Payment
June 30, 2008	Initial UAAL	\$ 380,673	\$ 29,502	\$ 41,224	\$ 368,951	11 Years	\$ 40,558
June 30, 2009	(Gain) / Loss	\$ 361,496	\$ 28,016	\$ 36,734	\$ 352,778	12 Years	\$ 36,141
June 30, 2010	(Gain) / Loss	\$ (132,418)	\$ (10,262)	\$ (12,701)	\$ (129,979)	13 Years	\$ (12,496)
June 30, 2011	(Gain) / Loss	\$ (30,543)	\$ (2,367)	\$ 5,809 <sup>3</sup>	\$ (38,719)	14 Years	\$ (3,513)
Total Amortization Payment July 1, 2012:							\$ 60,690
Projected Payroll July 1, 2012:							\$ 369,939
<b>UAAL as of June 30, 2011:</b>		<b>\$ 579,208</b>		<b>UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2012:</b>			<b>16.41%</b>

Safety							
Date Established	Description	Balance as of June 30, 2011	Interest on Balance	Amort. Payment on June 30, 2012 <sup>1</sup>	Balance as of June 30, 2012 <sup>2</sup>	Remaining Period as of June 30, 2012	July 1, 2012 Amortization Payment
June 30, 2008	Initial UAAL	\$ 138,914	\$ 10,766	\$ 15,043	\$ 134,637	11 Years	\$ 14,800
June 30, 2009	(Gain) / Loss	\$ 132,576	\$ 10,275	\$ 13,472	\$ 129,379	12 Years	\$ 13,254
June 30, 2010	(Gain) / Loss	\$ (49,532)	\$ (3,839)	\$ (4,751)	\$ (48,620)	13 Years	\$ (4,674)
June 30, 2011	(Gain) / Loss	\$ (12,119)	\$ (939)	\$ 4,899 <sup>3</sup>	\$ (17,957)	14 Years	\$ (1,629)
Total Amortization Payment July 1, 2012:							\$ 21,751
Projected Payroll July 1, 2012:							\$ 54,157
<b>UAAL as of June 30, 2011:</b>		<b>\$ 209,839</b>		<b>UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2012:</b>			<b>40.16%</b>

Probation							
Date Established	Description	Balance as of June 30, 2011	Interest on Balance	Amort. Payment on June 30, 2012 <sup>1</sup>	Balance as of June 30, 2012 <sup>2</sup>	Remaining Period as of June 30, 2012	July 1, 2012 Amortization Payment
June 30, 2008	Initial UAAL	\$ 34,804	\$ 2,697	\$ 3,769	\$ 33,732	11 Years	\$ 3,708
June 30, 2009	(Gain) / Loss	\$ 33,370	\$ 2,586	\$ 3,392	\$ 32,564	12 Years	\$ 3,337
June 30, 2010	(Gain) / Loss	\$ (12,089)	\$ (937)	\$ (1,160)	\$ (11,866)	13 Years	\$ (1,141)
June 30, 2011	(Gain) / Loss	\$ (3,545)	\$ (275)	\$ 300 <sup>3</sup>	\$ (4,120)	14 Years	\$ (374)
Total Amortization Payment July 1, 2012:							\$ 5,530
Projected Payroll July 1, 2012:							\$ 25,576
<b>UAAL as of June 30, 2011:</b>		<b>\$ 52,540</b>		<b>UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2012:</b>			<b>21.62%</b>

Explanatory Notes:

<sup>1</sup> Amortization Payments are based on a fixed schedule that increases by the payroll assumption each year.

<sup>2</sup> The calculation of assets and liabilities used in the calculation of UAAL are as of June 30, 2011; whereas, the contribution rates are not effective until July 1, 2012. Therefore, the UAAL is adjusted to June 30, 2012 in the calculation of contribution rates.

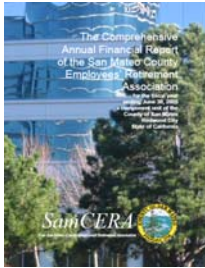
<sup>3</sup> The 15-year amortization of UAAL does not begin until July 1, 2012; however, the UAAL amount is adjusted based on the July 1, 2011 contribution rate.

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## San Mateo County Employees' Retirement Association

### Section 7: Information for Comprehensive Annual Financial Report (CAFR)

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The Governmental Accounting Standards Board (GASB) sets standards for defined benefit pension plan reporting and disclosures (Statement No. 25). The reporting requirements for Statement No. 25 include certain supplementary information that must be added to the financial statements. These include:

- (1) A Schedule of Funding Progress
- (2) A Schedule of Employer Contributions

The Schedule of Funding Progress, Exhibit 13, compares actuarial assets and liabilities of *SamCERA*, based on the actuarial funding method used. The required Schedule of Employer Contributions, Exhibit 14, compares the employer contributions required based on the actuarial valuation (the actuarial required contribution, or ARC) with the employer contributions actually made. The ARC must be calculated based on certain parameters required for disclosure purposes.

We believe the actuarial methods and assumptions used in this valuation to determine the employer's contribution for funding purposes satisfy the GASB reporting requirements.

GASB Statement No. 27 specifies required reporting for pension accounting by state and local governmental employers.

The comparability of the data from year-to-year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, etc.

Exhibit 15 compares the Actuarial Value of Valuation Assets to the types of Actuarial Accrued Liabilities, applying them first to Active Member contributions, then to retirees and beneficiaries, and then the remaining amount to the active members' benefits. This is referred to as the Solvency Test. Although not required under GASB, this test is part of the CAFR guidelines specified by the Government Finance Officers Association (GFOA).

**CAFR  
(continued)**

In addition to the exhibits mentioned above, the following supporting information is supplied for inclusion in *SamCERA's* CAFR:

- Exhibit 16 – History of employer contribution rates.
- Exhibit 17 – Actuarial analysis of financial experience.
- Exhibit 18 – Summary of significant actuarial statistics and measurements.
- Exhibit 19 – Summary of *SamCERA* membership. For more detailed information on the valuation data, see Appendix C.
- Exhibit 20 – Summary of active member valuation data.
- Exhibit 21 – Summary of demographic activity of retirees and beneficiaries.
- Exhibit 22 – Average salary and active counts by employer.
- Exhibit 23 – Summary of retired and inactive benefits.
- Exhibit 24 – Summary of actuarial assumptions and cost method. For more detailed information, see Appendix A.

**San Mateo County Employees'  
Retirement Association**

**Exhibit 13: Schedule of Funding Progress  
(Dollars In Thousands)**

<u>Actuarial Valuation Date*</u>	<u>(a) Actuarial Value of Valuation Assets</u>	<u>(b) Actuarial Accrued Liabilities</u>	<u>(b-a) Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>[(b-a)/c] UAAL as a Percentage of Covered Payroll</u>
June 30, 2002	\$ 1,416,821	\$ 1,660,566	\$ 243,745	85.3%	\$ 301,891	80.74%
June 30, 2003	1,353,941	1,781,544	427,603	76.0%	323,896	132.02%
June 30, 2004	1,452,621	1,921,328	468,707	75.6%	365,385	128.28%
June 30, 2005	1,615,585	2,177,759	562,174	74.2%	334,315	168.16%
June 30, 2006	1,769,021	2,345,149	576,128	75.4%	368,972	156.14%
June 30, 2007	1,976,731	2,555,504	578,773	77.4%	407,912	141.92%
June 30, 2008	2,218,937	2,806,222	587,285	79.1%	416,243	141.09%
June 30, 2009	1,909,679	2,987,712	1,078,033	63.9%	436,424	247.02%
June 30, 2010	2,179,076	3,098,453	919,377	70.3%	428,559	214.53%
June 30, 2011	2,405,140	3,246,727	841,587	74.1%	424,061	198.46%

\*Information for years prior to 2005 reported by prior actuaries.

**San Mateo County Employees'  
Retirement Association**

**Exhibit 14: Schedule of Contributions from the Employer  
(All Dollars In Thousands)**

Fiscal Year Ending*	Annual Required Contribution (ARC)**	Actual Employer Contributions	Percentage of ARC Contributed
6/30/2002	33,541	33,541	100%
6/30/2003	36,070	36,070	100%
6/30/2004	60,042	60,042	100%
6/30/2005	76,931	76,931	100%
6/30/2006	76,090	76,090	100%
6/30/2007	100,550	100,550	100%
6/30/2008	105,340	105,340	100%
6/30/2009	106,123	106,123	100%
6/30/2010	106,265	106,265	100%
6/30/2011	150,475	150,475	100%

*\*Information for years prior to 2005 reported by prior actuaries.*

*\*\*GASB Annual Required Contribution (ARC) is set equal to actual employer contribution when the actual employer contribution meets GASB ARC criteria.*

## San Mateo County Employees' Retirement Association

### Exhibit 15: Solvency Test (Dollars In Thousands)

Actuarial Valuation Date <sup>(1)</sup>	Valuation Assets	Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
		Active Member Contributions (A)	Retirees and Beneficiaries <sup>(2)</sup> (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
June 30, 2002	\$ 1,416,821	\$ 190,450	\$ 866,985	\$ 785,082	100%	100%	46%
June 30, 2003	1,353,941	202,551	858,273	915,108	100%	100%	32%
June 30, 2004	1,452,621	259,731	942,765	718,832	100%	100%	35%
June 30, 2005	1,615,585	281,231	1,133,351	763,177	100%	100%	26%
June 30, 2006	1,769,021	317,521	1,234,005	793,623	100%	100%	27%
June 30, 2007	1,976,731	359,484	1,348,013	848,007	100%	100%	32%
June 30, 2008	2,218,937	385,300	1,550,875	870,047	100%	100%	32%
June 30, 2009	1,909,679	412,147	1,670,547	905,018	100%	90%	0%
June 30, 2010	2,179,076	449,355	1,745,146	903,952	100%	99%	0%
June 30, 2011	2,405,140	485,126	1,866,219	895,382	100%	100%	6%

(1) Information for years prior to 2005 reported by prior actuaries.

(2) Includes deferred vested.

## San Mateo County Employees' Retirement Association

### Exhibit 16: History of Employer Contribution Rates (Dollars In Thousands)

County Rates <sup>(1)</sup>												
Valuation Year	General Member (excluding Nurses)			General Member (Nurses)			Safety Member			Probation Member		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2002	9.71%	0.70%	10.41%	Same as County General			17.22%	1.50%	18.72%	16.76%	1.17%	17.93%
2003	11.00%	4.60%	15.60%	Same as County General			21.99%	12.74%	34.73%	23.45%	8.10%	31.55%
2004	9.76%	8.25%	18.01%	Same as County General			15.34%	24.82%	40.16%	16.17%	15.28%	31.45%
2005	10.36%	10.38%	20.74%	Same as County General			20.43%	32.02%	52.45%	21.10%	16.43%	37.53%
2006	10.49%	9.97%	20.46%	Same as County General			20.18%	30.52%	50.70%	21.59%	14.85%	36.44%
2007	10.19%	9.46%	19.65%	Same as County General			19.94%	29.32%	49.26%	20.83%	14.06%	34.89%
2008	10.16%	9.81%	19.97%	Same as County General			19.32%	27.31%	46.63%	20.05%	12.81%	32.86%
2009	10.11%	18.40%	28.51%	Same as County General			19.21%	51.83%	71.04%	19.92%	23.84%	43.76%
2010	10.05%	16.35%	26.40%	Same as County General			19.01%	44.50%	63.51%	19.85%	21.62%	41.47%
2011	9.71%	16.41%	26.12%	8.70%	16.41%	25.11%	18.87%	41.75%	60.62%	19.50%	22.30%	41.80%

Rates for Mosquito and Vector Control District <sup>(2)</sup>			
Valuation Year	General Member		
	Normal	UAAL	Total
2006	8.76%	8.18%	16.94%
2007	8.50%	7.76%	16.26%
2008	8.55%	8.04%	16.59%
2009	8.25%	15.09%	23.34%
2010	11.70%	16.35%	28.05%
2011	11.48%	16.96%	28.44%

- (1) Information for years prior to 2005 reported by prior actuaries.
- (2) Beginning with the 2010 actuarial valuation, the Mosquito and Vector Control District adopted the same benefit formula and member contribution rates as Plan 1, 2 & 4 General County members (excluding cost sharing on member rates).
- (3) Beginning with the 2011 actuarial valuation, members of the California Nurses Association contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.

**San Mateo County Employees'  
Retirement Association**

**Exhibit 17: Actuarial Analysis of Financial Experience**

<b>Summary of (Gains) / Losses</b>	<b>Change In Liability</b>				
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Unfunded Liability as of July 1	\$ 919,377,000	\$ 1,078,033,000	\$ 587,285,000	\$ 578,773,000	\$ 576,128,000
Expected Change in UAAL	(31,508,000)	27,388,000	(11,786,000)	(31,649,000)	(16,745,000)
Salary (Gain) / Loss	(51,831,000)	(43,598,000)	(10,081,000)	(19,946,000)	45,157,000
Fewer Withdrawals than expected					
Retiree COLA more / (less) than expected	(27,561,000)	(41,258,000)	1,080,000	937,000	(3,380,000)
Asset (Gain) / Loss	12,548,000	(88,485,000)	522,444,000	(20,078,000)	(22,639,000)
Change due to Assumption Changes	19,402,000			61,011,000	
Ventura Benefits & Asset transfers					
Miscellaneous Experience	1,160,000	(12,703,000)	(10,909,000)	18,237,000	252,000
Change Due to New Formula					
Unfunded Liability as of June 30	\$ 841,587,000	\$ 919,377,000	\$ 1,078,033,000	\$ 587,285,000	\$ 578,773,000

## San Mateo County Employees' Retirement Association

### Exhibit 18: Summary of Significant Actuarial Statistics and Measures

	June 30th of		Relative Change
	2011	2010	
<b>I. Active Members</b>			
Number of Members	5,245	5,347	(1.9)%
Average Age	45.7	45.4	0.7%
Average Credited Service	10.6	10.2	3.9%
Total Active Payroll (\$thousands)	\$ 432,542	\$ 437,130	(1.0)%
Average Monthly Salary	\$ 6,872	\$ 6,813	0.9%
<b>II. Retired Members</b>			
Number of Members			
Service Retirement	3,242	3,108	4.3 %
Disability Retirement	370	365	1.4 %
Beneficiaries	535	529	1.1 %
Average Age	71.3	71.3	(0.1)%
Actual Retiree Benefits Paid (\$thousands)	\$ 129,835	\$ 122,141	6.3 %
Average Monthly Pension	\$ 2,706	\$ 2,601	4.0%
<b>III. Inactive Vested Members</b>			
	1,190	1,207	(1.4)%
<b>IV. Assets</b>			
Market Value of Fund (\$thousands)	\$ 2,317,493	\$ 1,815,896	27.6%
Return on Market Value	23.7%	12.2%	
Valuation Assets (\$thousands)	\$ 2,405,140	\$ 2,179,076	10.4%
Return on Valuation Assets	7.2%	12.7%	
<b>V. Liability Values (\$thousands)</b>			
Actuarial Accrued Liability	\$ 3,246,727	\$ 3,098,453	4.8%
Unfunded Actuarial Accrued Liability	\$ 841,587	\$ 919,377	(8.5)%
Deferred Asset (Gains) / Losses	\$ 87,647	\$ 363,179	
<b>VI. Funded Ratio</b>			
GASB 25 (based on valuation assets)	74.1%	70.3%	5.3%

## San Mateo County Employees' Retirement Association

### Exhibit 19: Summary of SamCERA Membership

Plan	One	Two	Three	Four	Total
<b>Retirees and beneficiaries currently receiving benefits:</b>					
General	1,979	1,389	102	153	3,623
Safety	285	110	-	10	405
Probation	71	42	-	6	119
Subtotal	2,335	1,541	102	169	4,147
<b>Terminated employees entitled to but not currently receiving benefits (Deferred):</b>					
General	31	458	111	481	1,081
Safety	1	32	-	31	64
Probation	-	20	-	25	45
Subtotal	32	510	111	537	1,190
<b>Current employees:</b>					
<b>Vested:</b>					
General	63	1,102	77	1,957	3,199
Safety	6	132	-	195	333
Probation	2	75	-	181	258
<b>Non-Vested:</b>					
General	-	-	74	1,221	1,295
Safety	-	-	-	113	113
Probation	-	-	-	47	47
Subtotal	71	1,309	151	3,714	5,245
<b>Total SamCERA Membership</b>	<b>2,438</b>	<b>3,360</b>	<b>364</b>	<b>4,420</b>	<b>10,582</b>

## San Mateo County Employees' Retirement Association

### Exhibit 20: Summary of Active Member Valuation Data

Valuation Date	Members	Annual Salary	Average Annual Salary	% Change Average Salary	
2002	General	4,159	\$250,344,000	\$60,192	6.7%
	Safety	431	\$34,405,000	\$79,824	5.1%
	Probation	282	\$17,142,000	\$60,792	6.8%
	Total	4,872	\$301,891,000	\$61,968	6.6%
2003	General	4,213	\$267,150,000	\$63,408	5.3%
	Safety	434	\$37,973,000	\$87,492	9.6%
	Probation	290	\$18,773,000	\$64,740	6.5%
	Total	4,937	\$323,896,000	\$65,964	5.9%
2004	General	4,487	\$303,786,879	\$67,700	6.8%
	Safety	411	\$40,796,852	\$99,202	13.4%
	Probation	288	\$20,800,813	\$72,225	11.6%
	Total	5,186	\$365,384,544	\$70,448	6.8%
2005	General	4,411	\$304,289,437	\$68,984	1.8%
	Safety	409	\$39,999,593	\$97,799	-1.4%
	Probation	278	\$20,123,863	\$72,388	0.2%
	Total	5,098	\$364,412,893	\$71,482	1.4%
2006*	General	4,614	\$312,934,324	\$67,823	-1.7%
	Safety	428	\$41,407,772	\$96,747	-1.1%
	Probation	313	\$22,009,210	\$70,317	-1.6%
	Total	5,355	\$376,351,306	\$70,280	-1.7%
2007	General	4,767	\$346,319,017	\$72,649	7.1%
	Safety	443	\$45,386,411	\$102,452	5.9%
	Probation	329	\$24,364,268	\$74,056	5.3%
	Total	5,539	\$416,069,696	\$75,116	6.9%
2008	General	4,743	\$353,518,525	\$74,535	2.6%
	Safety	432	\$46,326,906	\$107,238	4.7%
	Probation	325	\$24,741,003	\$76,126	2.8%
	Total	5,500	\$424,586,434	\$77,198	2.8%
2009	General	4,777	\$370,760,830	\$77,614	4.1%
	Safety	436	\$48,120,081	\$110,367	2.9%
	Probation	330	\$26,270,802	\$79,608	4.6%
	Total	5,543	\$445,151,713	\$80,309	4.0%
2010	General	4,609	\$363,305,740	\$78,825	1.6%
	Safety	425	\$48,576,912	\$114,299	3.6%
	Probation	313	\$25,247,595	\$80,663	1.3%
	Total	5,347	\$437,130,248	\$81,752	1.8%
2011	General	4,494	\$355,876,715	\$79,189	0.5%
	Safety	446	\$52,073,940	\$116,758	2.2%
	Probation	305	\$24,591,392	\$80,628	0.0%
	Total	5,245	\$432,542,046	\$82,468	0.9%

\*Numbers prior to 2006 were reported on a different basis.

## San Mateo County Employees' Retirement Association

### Exhibit 21: Summary of Demographic Activity of Retirees and Beneficiaries

Year Ended	Added to Rolls(1)		Removed from Rolls		Rolls end of year		% Increase in Payroll	Average Monthly Allowances
	No.	Annual Allowances in Thousands	No.	Annual Allowances in Thousands	No.(2)	Total Retiree Payroll in Thousands		
June 30, 2002	194	\$ N/A	138	\$ N/A	3,309	\$ 66,974	7.3 %	\$ 1,627
June 30, 2003	128	N/A	115	N/A	3,322	69,451	3.7	1,676
June 30, 2004	193	N/A	120	N/A	3,539	75,943	8.7	1,778
June 30, 2005	238	N/A	95	N/A	3,682	84,183	11.5	1,905
June 30, 2006	206	N/A	112	N/A	3,613	91,006	8.1	2,099
June 30, 2007	155	N/A	74	N/A	3,694	98,790	8.6	2,229
June 30, 2008	218	N/A	70	N/A	3,842	109,616	11.0	2,378
June 30, 2009	159	12,717	66	3,281	3,935	119,052	8.6	2,521
June 30, 2010	163	9,076	96	3,240	4,002	124,888	4.9	2,601
June 30, 2011	209	19,539	64	2,916	4,147	135,675	14.0	2,706

(1) Amount added to rolls includes COLAs granted in year to continuing retirees and beneficiaries.

(2) For 6/30/2004 and 6/30/2005, retirees/beneficiaries who are entitled to multiple benefits are counted more than once. Starting 6/30/2006, the counts reflect only one benefit per retiree.

**San Mateo County Employees'  
Retirement Association**

**Exhibit 22: Average Salary and Active Counts by Employer**

**Schedule of Average Monthly Salary of Active Members\*  
(By Plan and Membership Type)**

	2011	2010	2009	2008	2007
General Plan 1	\$7,630	\$7,543	\$7,534	\$7,252	\$7,175
General Plan 2	\$7,208	\$7,193	\$7,120	\$6,872	\$6,688
General Plan 3	\$5,968	\$5,818	\$5,791	\$5,619	\$5,287
General Plan 4	\$6,398	\$6,348	\$6,212	\$5,914	\$5,714
General Plan Total	\$6,599	\$6,569	\$6,468	\$6,211	\$6,054
Safety Plan 1	\$12,073	\$11,578	\$10,889	\$11,113	\$10,212
Safety Plan 2	\$10,789	\$10,548	\$10,135	\$9,612	\$9,299
Safety Plan 4	\$9,230	\$8,931	\$8,610	\$8,349	\$7,882
Safety Plan Total	\$9,730	\$9,525	\$9,197	\$8,937	\$8,538
Probation Plan 1	\$7,533	\$8,922	\$9,751	\$9,791	\$8,522
Probation Plan 2	\$7,349	\$7,393	\$7,341	\$6,960	\$6,899
Probation Plan 4	\$6,505	\$6,456	\$6,291	\$5,978	\$5,766
Probation Plan Total	\$6,719	\$6,722	\$6,634	\$6,344	\$6,171
Grand Total	\$6,872	\$6,813	\$6,692	\$6,433	\$6,260

\*Numbers prior to 2006 were reported on a different basis.

**Participating Employers and Active Members**

	2011	2010	2009	2008	2007
<i>County of San Mateo</i>					
General Members	4,476	4,589	4,758	4,718	4,742
Safety Members	446	425	436	432	443
Probation Members	305	313	330	325	329
Total	5,227	5,327	5,524	5,475	5,514
<i>San Mateo County Mosquito and Vector Control District</i>					
General Members Total	18	20	19	25	25
Total Active Membership	5,245	5,347	5,543	5,500	5,539

## San Mateo County Employees' Retirement Association

### Exhibit 23: Summary of Retired and Inactive Benefits

Retired Members	2011	2010	2009	2008	2007
<b>Service Retirement</b>					
Number	3,242	3,108	3,032	2,958	2,835
Annual Allowance					
Basic Only	\$ 87,254,000	\$ 79,007,000	\$ 73,038,000	\$ 66,704,000	\$ 59,687,000
COLA	\$ 23,212,000	\$ 22,542,000	\$ 22,964,000	\$ 21,289,000	\$ 19,382,000
Total	\$ 110,466,000	\$ 101,549,000	\$ 96,002,000	\$ 87,993,000	\$ 79,069,000
Average Monthly Payment	\$ 2,839	\$ 2,723	\$ 2,639	\$ 2,479	\$ 2,324
<b>Disability Retirement</b>					
Number	370	365	369	361	351
Annual Allowance					
Basic Only	\$ 9,414,000	\$ 8,988,000	\$ 8,722,000	\$ 8,214,000	\$ 7,571,000
COLA	\$ 3,005,000	\$ 2,926,000	\$ 3,070,000	\$ 2,847,000	\$ 2,569,000
Total	\$ 12,419,000	\$ 11,914,000	\$ 11,792,000	\$ 11,061,000	\$ 10,140,000
Average Monthly Payment	\$ 2,797	\$ 2,720	\$ 2,663	\$ 2,553	\$ 2,407
<b>Beneficiaries</b>					
Number	535	529	534	523	508
Annual Allowance					
Basic Only	\$ 6,672,000	\$ 6,309,000	\$ 6,052,000	\$ 5,757,000	\$ 5,220,000
COLA	\$ 5,118,000	\$ 5,116,000	\$ 5,206,000	\$ 4,805,000	\$ 4,361,000
Total	\$ 11,790,000	\$ 11,425,000	\$ 11,258,000	\$ 10,562,000	\$ 9,581,000
Average Monthly Payment	\$ 1,836	\$ 1,800	\$ 1,757	\$ 1,683	\$ 1,572
<b>Total Retired Members</b>					
Number	4,147	4,002	3,935	3,842	3,694
Annual Allowance					
Basic Only	\$ 103,340,000	\$ 94,304,000	\$ 87,812,000	\$ 80,675,000	\$ 72,478,000
COLA	\$ 31,335,000	\$ 30,584,000	\$ 31,240,000	\$ 28,941,000	\$ 26,312,000
Total	\$ 134,675,000	\$ 124,888,000	\$ 119,052,000	\$ 109,616,000	\$ 98,790,000
Average Monthly Payment	\$ 2,706	\$ 2,601	\$ 2,521	\$ 2,378	\$ 2,229
<b>Inactive Members</b>	1,190	1,207	1,230	1,225	1,151

The data in the table above originates from PensionGold, SamCERA's retirement benefit administration system.

**San Mateo County Employees'  
Retirement Association**

**Exhibit 24a: Summary of Assumptions**

**Assumptions & Methods for Most Recent Actuarial Valuation**

Actuarial Methods	
Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	Original unfunded amount (UAAL) as of June 30, 2008 is amortized over 15 years as of the valuation date. Future actuarial gains and losses are amortized over new 15-year periods (including the change in UAAL as of June 30, 2011). This is referred to as 15-year layered amortization.
Asset Valuation Method	5-year smoothed market with 20% corridor
Actuarial Assumptions	
Rate of Investment Return	7.75%
Price Inflation (CPI)	3.50%
Payroll Increases	4.00%
Average Projected Salary Increases	5.20%
Attributable to Wage Inflation	4.00%
Attributable to Merit and Longevity	1.20% (actual rates vary by service)
Sample Rates of Separation	Shown on following page
Additional Assumptions	Shown in Appendix A

## San Mateo County Employees' Retirement Association

### Exhibit 24b: Summary of Assumptions

#### Probability of Separation During Active Service

Years of Service	Other Terminations		Age	Disability		Death while Active		Service Retirement
	Ordinary	Vested		Ordinary	Service	Ordinary	Service	
<b>General Plan 1, 2 &amp; 4 Male Members</b>								
0	0.1300	0.0000	20	0.0002	0.0004	0.0003	0.0000	0.0000
5	0.0285	0.0348	30	0.0003	0.0004	0.0004	0.0000	0.0000
10	0.0172	0.0238	40	0.0006	0.0010	0.0009	0.0000	0.0000
15	0.0099	0.0191	50	0.0010	0.0016	0.0017	0.0000	0.0500
20	0.0040	0.0150	60	0.0015	0.0022	0.0036	0.0000	0.1500
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
<b>General Plan 1, 2 &amp; 4 Female Members</b>								
0	0.1200	0.0000	20	0.0002	0.0003	0.0002	0.0000	0.0000
5	0.0285	0.0348	30	0.0002	0.0004	0.0002	0.0000	0.0000
10	0.0153	0.0212	40	0.0004	0.0007	0.0006	0.0000	0.0000
15	0.0088	0.0172	50	0.0012	0.0017	0.0013	0.0000	0.0400
20	0.0040	0.0150	60	0.0019	0.0029	0.0030	0.0000	0.1500
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
<b>General Plan 3 Male Members</b>								
0	0.1300	0.0000	20	0.0000	0.0000	0.0003	0.0000	0.0000
5	0.0285	0.0348	30	0.0000	0.0000	0.0004	0.0000	0.0000
10	0.0172	0.0238	40	0.0000	0.0000	0.0009	0.0000	0.0000
15	0.0099	0.0191	50	0.0000	0.0000	0.0017	0.0000	0.0000
20	0.0040	0.0150	60	0.0000	0.0000	0.0036	0.0000	0.0300
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
<b>General Plan 3 Female Members</b>								
0	0.1200	0.0000	20	0.0000	0.0000	0.0002	0.0000	0.0000
5	0.0285	0.0348	30	0.0000	0.0000	0.0002	0.0000	0.0000
10	0.0153	0.0212	40	0.0000	0.0000	0.0006	0.0000	0.0000
15	0.0088	0.0172	50	0.0000	0.0000	0.0013	0.0000	0.0000
20	0.0040	0.0150	60	0.0000	0.0000	0.0030	0.0000	0.0400
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
<b>Safety and Probation Male Members</b>								
0	0.0700	0.0000	20	0.0000	0.0015	0.0003	0.0010	0.0000
5	0.0082	0.0151	30	0.0000	0.0018	0.0004	0.0010	0.0000
10	0.0050	0.0105	40	0.0000	0.0028	0.0009	0.0010	0.0000
15	0.0016	0.0094	50	0.0000	0.0044	0.0017	0.0010	0.1500
20 & Above	0.0000	0.0000	60	0.0000	0.0000	0.0036	0.0010	1.0000
			70	0.0000	0.0000	0.0000	0.0000	1.0000
<b>Safety and Probation Female Members</b>								
0	0.0700	0.0000	20	0.0000	0.0015	0.0002	0.0010	0.0000
5	0.0082	0.0151	30	0.0000	0.0018	0.0003	0.0010	0.0000
10	0.0050	0.0105	40	0.0000	0.0028	0.0007	0.0010	0.0000
15	0.0016	0.0094	50	0.0000	0.0044	0.0017	0.0010	0.1500
20 & Above	0.0000	0.0000	60	0.0000	0.0000	0.0039	0.0010	1.0000
			70	0.0000	0.0000	0.0000	0.0000	1.0000