

The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, September 25, 2012, at 1:00 P.M.**

PUBLIC SESSION – The Board will meet in Public Session at 1:00 P.M.

1. Call to Order, Roll Call and Miscellaneous Business

2. Oral Communications

- 2.1 Oral Communications From the Board
- 2.2 Oral Communications From the Public

3. Approval of the Minutes

4. Approval of the Consent Agenda

(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)

- Disability Retirement Applications
 - Heikoti Fakava
 - Herlin Gomez
 - Fereshteh Harirchi
- Service Retirements
- Continuances Deferred Retirements
- Member Account Refunds
- Member Account Rollovers
- Approval of Western Asset Request to Implement Emerging-Debt Allocation via Commingled Fund
- Revision of the Minutes of the May 22, 2012, Board of Retirement Meeting

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 5.2 Presentation of the June 30, 2012, Actuarial Valuation Report by Milliman, Inc.
- 5.3 Acceptance of the Fiscal Year 2013-2014 Employer and Member Contribution Rates and Recommendations
- 5.4 Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.
- 5.5 Presentation Regarding AB 340 and AB 197 Legal and Actuarial Impacts

6. Investment Services (Investment items were considered at the Sept. 25 Special Meeting.)

7. Board & Management Support Services

- 7.1 Monthly Financial Report
- 7.2 Report on Status of the Annual Financial Audit for Fiscal Year 2011-12
- 7.3 Approval of Authorization for the Chief Executive Officer to Execute Documents and Take Certain Actions In Relation to Investments and Certain Securities Litigation Matters
- 7.4 Approval of SamCERA's Strategic Plan Update
- 7.5 Approval of Voting Delegate and Alternates for the SACRS Fall 2012 Business Meeting

8. Management Reports

- 8.1 Chief Executive Officer's Report
- 8.2 Assistant Executive Officer's Report
- 8.3 Chief Investment Officer's Report
- 8.4 Chief Legal Counsel's Report

CLOSED SESSION – The Board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

| | | |
|-------------------|-----------------|-------------------|
| Bruch, Gloria | August 12, 2012 | Library |
| Cookson, Paul | August 9, 2012 | Crystal Springs |
| Goff, Linda | August 2, 2012 | Superior Court |
| Jones, Carmen | August 5, 2012 | Social Services |
| Joy, Eleanor | August 26, 2012 | Social Services |
| Julian, L J | August 9, 2012 | Crystal Springs |
| Larsen, Alfred | August 24, 2012 | Fire Warden |
| Smith, Roderick | August 4, 2012 | District Attorney |
| Wallace, Marjorie | August 12, 2012 | Library |



David Bailey, Chief Executive Officer

Printed: 9/19/12

THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160,

WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.

Detailed directions are available on the "Contact Us" page of the website www.samcera.org

Free Parking is available in all lots in the vicinity of the building.

A copy of the Board of Retirement's open session agenda packet is available for review at the SamCERA offices and on our website unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT:

SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact SamCERA at (650) 599-1234 at least three business days prior to the meeting if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable SamCERA to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

September 25, 2012

Agenda Item 3.0

August 28, 2012 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 1:00 P.M.

1. Call to Order, Roll Call and Miscellaneous Business

- 1.1 Administration of the Oath of Office to Newly Reappointed Trustee
- 1.2 Announcement of Committee Appointments
- 1.3 Introduction and Welcome of SamCERA's New Chief Investment Officer

2. Oral Communications

- 2.1 Oral Communications From the Board
- 2.2 Oral Communications From the Public

3. Approval of the Minutes

4. Approval of the Consent Agenda

(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)

- Disability Retirement Applications
 - Lydia Brosamle
 - Ester Capacillo
 - Liz Cervantes
 - Celia Driscoll
 - Randolph Evans
 - Richard Good
 - Nena Najdawi
- Service Retirements
- Continuances Deferred Retirements
- Member Account Refunds
- Member Account Rollovers

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 5.2 **Consideration of Member's Request to Reconsider a Non-Service Disability (Set for 2 p.m. time certain.*)**

6. Investment Services (The Investment Committee will meet at 10:00 am)

- 6.1 Preliminary Monthly Portfolio Performance Report
- 6.2 Annual Review, Revision & Reaffirmation of the Investment Committee Charter
- 6.3 Discussion of SamCERA's Investment Policy Redraft Process
- 6.4 Quarterly Investment Performance Report for the Period Ending June 30, 2012
- 6.5 Report on the Annual Review of SamCERA's Core Bond Portfolio Managers (Aberdeen Asset Management, Pyramis Global Advisors, Western Asset Management)
- 6.6 Approval of Private Equity Investment Opportunity
- 6.7 Discussion of Authority to Execute Documents and Take Certain Actions In Relation to Agreements on Behalf of the Board

7. Board & Management Support Services

- 7.1 Monthly Financial Report
- 7.2 Update on Information Technology Project Progress

San Mateo County Employees' Retirement Association
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8. Management Reports

- 8.1 Chief Executive Officer's Report
- 8.2 Assistant Executive Officer's Report
- 8.3 Chief Investment Officer's Report
- 8.4 Chief Legal Counsel's Report

CLOSED SESSION – The board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session
- C2 Initiation of Litigation Pursuant to Subdivision (c) of Government Code Section 54956.9:
One matter

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

| | | |
|------------------|---------------|------------------------------|
| Quinn, Diane | July 6, 2012 | Public Health |
| Smylie, Alice | July 6, 2012 | Deferred from Human Services |
| Moran, Nancy | July 15, 2012 | Human Services |
| Gaddini, John | July 17, 2012 | Sheriff's Office |
| Vincent, John | July 18, 2012 | Probation |
| Hatfield, John | July 19, 2012 | Mental Health |
| Watters, Mary | July 22, 2012 | Library |
| Rodriguez, Rose | July 23, 2012 | Health Services |
| Dorow, Willi | July 24, 2012 | Engineer-Road |
| Stivala, Mary | July 28, 2012 | Probation |
| Remedios, Roy | July 30, 2012 | Controller |
| Stafford, Arlene | July 30, 2012 | Aging and Adult Services |

David Bailey, Chief Executive Officer

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

August 28, 2012 – Board Minutes

0812.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Natalie Kwan Lloyd, Vice Chair, called the Public Session of the Board of Retirement to order at 1:02 p.m.

Roll Call:

Present: Natalie Kwan Lloyd, Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Michal Settles, David Spinello and Eric Tashman.

Excused: Sandie Arnott *Alternates Present:* Christopher Miller

Staff: David Bailey, Michael Coultrip, Brenda Carlson, Gladys Smith, Mabel Wong, Lilibeth Dames, Tariq Ali, and Kristina Perez.

0812.1.1 **Administration of the Oath of Office to Newly Reappointed Trustee:** Sergeant John Flahavan of the San Mateo County Sheriff's Office administered the Oath of Office to reappointed trustee and Board Secretary Lauryn Agnew.

0812.1.2 **Announcement of Committee Appointments:** Mr. Bailey announced the committee appointments as chosen by Chair Sandie Arnott. The Investment Committee members are Ben Bowler, Lauryn Agnew, Michal Settles and Albert David, Chair. The Audit Committee members are Paul Hackleman, Natalie Kwan Lloyd, Sandie Arnott and Eric Tashman, Chair.

0812.1.3 **Introduction and Welcome of SamCERA's New Chief Investment Officer:** Mr. Bailey introduced CIO Michael Coultrip and welcomed him to SamCERA.

0812.2.1 **Oral Communications From the Board:** There were no comments from the Board.

0812.2.2 **Oral Communications From the Public:** There were no comments from the public.

0812.3 **Approval of the Minutes:** Ms. Kwan Lloyd asked if there were any corrections to the minutes. None were noted.

Action: Mr. Hackleman moved to approve the minutes from the regular meeting held on August 28, 2012. The motion was seconded by Mr. David, and carried unanimously.

0812.4 **Approval of the Consent Agenda:** Ms. Kwan Lloyd asked if there were any items to be removed from the Consent Agenda. The disability application for Liz Cervantes was removed from the Consent Agenda.

Action: Mr. David moved to approve all remaining Consent Agenda items as listed below. The motion was seconded by Mr. Spinello and carried unanimously.

0812.4 **Consent Agenda**

Disability Retirements

The Board found that Lydia Brosamle (1) is not permanently incapacitated for the performance of her duties as a Fiscal Office Specialist and (2) denied her application for a service-connected disability retirement.

The Board found that Ester Capacillo (1) is disabled from performing her usual and customary duties as a Medical Services Assistant II, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

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The Board found that Celia Driscoll (1) is disabled from performing her usual and customary duties as Correctional Officer, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

The Board found that Randolph Evans (1) is disabled from performing his usual and customary duties as Custodian, (2) found that his disability is service-connected and (3) granted his application for a service-connected disability retirement.

The Board found that Richard Good (1) is disabled from performing his usual and customary duties as Deputy District Attorney IV, (2) found that his disability is not service-connected, (3) denied his application for a service-connected disability, and (4) granted him a non-service-connected disability retirement.

The Board found that Nena Najdawi (1) is disabled from performing her usual and customary duties as Medical Office Assistant II, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

0812.4 **Service Retirements**

The Board ratifies the actions as listed below for the following members regarding service retirements:

| Member Name | Effective Retirement Date | Department |
|-----------------------|----------------------------------|-------------------------------------|
| Ashcraft, Mark | May 23, 2012 | Def'd from Ag Commission Sealer |
| Soher, Donald | June 2, 2012 | Public Safety Comm |
| Ferrick, George | June 6, 2012 | Def'd from Superior Court |
| McColgan, Edward | June 13, 2012 | Def'd from Controller |
| Charan, Kanchan | June 15, 2012 | Controller |
| Coppola, Christine | June 16, 2012 | Behavioral Health |
| Fountain, Joan | June 20, 2012 | Treasurer |
| Shah, Jayesh | June 21, 2012 | Def'd from Superior Court |
| Byrne, Flor | June 23, 2012 | San Mateo Medical Center |
| Casco-Abuan, Remedios | June 23, 2012 | San Mateo Medical Center |
| Cook, Victoria | June 23, 2012 | San Mateo Medical Center |
| Edmondson, Ana | June 23, 2012 | San Mateo Medical Center |
| Gomez, Oscar | June 23, 2012 | San Mateo Medical Center |
| Jones, Doris | June 23, 2012 | Human Services Agency |
| Shu, Chien | June 23, 2012 | San Mateo Medical Center |
| Dunn, Felton | June 26, 2012 | Def'd from San Mateo Medical Center |
| Mack, Shirley | June 29, 2012 | Def'd from Library |
| Ferguson, Ellis | June 30, 2012 | San Mateo Medical Center |
| Hogg, Vicky | June 30, 2012 | Human Services Agency |
| Jester, Mary | June 30, 2012 | San Mateo Medical Center |
| Paton, Laura | June 30, 2012 | Human Services Agency |
| Echeverria, Gay | July 1, 2012 | Behavioral Health |
| Keller, Kaylene | July 1, 2012 | Assessor |

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0812.4

Consent Agenda (con't)

Continuances

The Board ratifies the actions as listed below for the following members regarding continuances:

| Survivor's Name | Beneficiary of |
|------------------------|-----------------------|
| Collazo, Edmundo | Collazo, Nereida |
| Escapite, Rafael | Carlson, Richard |
| Rafiq, Famida | Rafiq, Mohammed |
| Sampson, Shirley | Sampson, Floyd |
| Solari, Janet | Solari, Norman |
| Whitehead, Robert | Whitehead, Mary |

Deferred Retirements

The Board ratifies the actions as listed below for the following members regarding deferred retirements:

| Member Name | Retirement Plan Type |
|--------------------|-----------------------------|
| Rosete, Edna | G4 Vested |
| Semenenko, Nina | G4 Vested |
| Quizon, Katrina | G4 Vested |
| Uygur, Reyhan | G4 Vested |
| Abadilla, Angela | G4 Vested |
| Cachuela, Honorata | G4 Vested |
| Ho, Justine | G4 Vested |
| Cruz, Carmelita | G4 Vested |
| Puapuaga, Alofaaga | G4 Vested |
| Rulloda, Pacita | G4 Vested |
| Raihman, Jaibul | G4 Vested |
| Fernandez, Gloria | G4 Vested |
| Palomaria, Abema | G4 Vested |
| Reyes, Samuel | G4 Vested |
| Tolentino, Diosado | G4 Vested |
| Catalon, Joel | G4 Vested |
| Lavilla, Dorina | G4 Vested |
| Noguchi, Laura | G4 Vested |
| Holcomb, Vaisioa | G4 Vested |
| De Guzman, Tedora | G4 Vested |
| Romero, Elisa | G4 Vested |
| Cabotaje, Rosenda | G4 Vested |
| Vunipola, Ana | G4 Vested |
| Utumporn, Igesias | G4 Vested |
| Dogelio, Thelma | G4 Vested |
| Tayo, Elna | G4 Vested |
| Perez, Lizette | G4 Vested |
| Corona, Catalina | G4 Vested |
| Linaja, Violeta | G4 Vested |
| Biag, Maria | G4 Vested |

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0812.4 **Deferred Retirements (con't)**

| Member Name | Retirement Plan Type |
|----------------------|-----------------------------|
| Villanueva, Virginia | G4 Vested |
| Doreza, Mae | G4 Vested |
| Villar, Edizalyn | G4 Vested |
| Rimon, Rolindy | G4 Vested |
| Ignancio, Miguel | G4 Vested |
| Wong, Shwu | G4 Vested |
| Espiritu, Catalina | G4 Vested |
| Crocket, Jack | G4 Vested |
| Rosario, Flordeliza | G4 Vested |
| Banal, Caroline | G4 Vested |
| Kiser, Marilee | G4 Vested |
| Chua, Doris | G4 Vested |
| Ruiz, Milton | G4 Vested |
| Rami, Purvi | G4 Vested |
| Iverson, Rita | G4 Vested |
| Mariano, Josefina | G4 Vested |
| Munoz, Anna-Maria | G4 Vested |
| Cabe, Agustina | G4 Vested |
| Yap, Cirilo Ramon | G4 Vested |
| Cauyong, Consolacion | G4 Vested |
| Chou, Mei | G4 Vested |
| Pefley, Pushpa | G4 Vested |
| Gloria, Emilia | G4 Vested |
| Calderon, Luna | G4 Vested |
| Kamal, Mohammed | G4 Vested |
| Narayan, Yattra | G4 Vested |
| Perez, Antonio | G4 Vested |
| Theisen, Linda | G4 Vested |
| Chiang, William | G4 Vested - Reciprocity |
| Bazo, Eve | G4 Vested - Reciprocity |
| Wong-Sing, Douglas | G2 Vested - Reciprocity |
| Trujillo, Miguel | G2 Vested - Reciprocity |
| Alvarez, Rhonda | G4 Vested - Reciprocity |
| Gontenas, Carmencita | G4 Vested - Reciprocity |
| Gajunia, Florabel | G4 Vested - Reciprocity |
| Moreno, Patricia | G4 Vested - Reciprocity |

Member Account Refunds

The Board ratifies the actions as listed below for the following members regarding refunds:

| Member Name | Retirement Plan Type |
|--------------------|-----------------------------|
| Calderon, Lupita | G4 Vested |
| Castillo, Ana | G4 Non-vested |
| Chaingan, Fernando | G4 Non-vested |
| Cook, Esalina | G4 Non-vested |

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

0812.4 **Member Account Refunds (con't)**

| Member Name | Retirement Plan Type |
|-------------------------|-----------------------------|
| Coons, Claudia | G4 Non-vested |
| Dela Cuesta, Reuben | G4 Non-vested |
| Dumaraos, Dominique | G4 Vested |
| Feliciano, Lorenzo | G5 Non-vested |
| Fizulic, Gina | G4 Vested |
| Gibson, Tina | G4 Vested |
| Gonzales, Carmelita | G4 Non-vested |
| Guisadio, Katherine | G4 Vested |
| Llerena Pajuella, Betty | G4 Vested |
| Moala, Eseta | G4 Vested |
| Mobo, Simeon | G4 Vested |
| Penate, Kina | G4 Non-vested |
| Shuhendler, Karen | G5 Non-vested |
| Stephenson, Kenneth | G4 Non-vested |
| Vera, Carmencita | G4 Vested |

Member Account Rollovers

The Board ratifies the action as listed below for the following members regarding rollovers:

| Member Name | Retirement Plan Type |
|--------------------|-----------------------------|
| Dawkins, Michael | 3/G2 Vested |

- 0812.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** The Board adjourned into closed session at 1:20 p.m. Ms. Carlson recused herself and Mr. Dan McGuire served as Board counsel for this matter. Patrick Richardson represented the Fund. The Board reconvened in open session at 1:48 p.m. and Mr. McGuire reported that the Board approved a motion to continue this matter for 60 days, by a vote of 6 -2, with Mr. Hackleman and Mr. Spinello dissenting.

Vice Chair Kwan Lloyd adjourned the meeting for a break at 1:50 p.m., and the meeting was reconvened at 2:00 p.m.

- 0812.5.2 **Consideration of Member's Request to Reconsider a Non-Service Disability** (Set for 2 p.m. time certain.*): Mr. Montisano and his legal representative, Mr. Wicke, were present. Mr. Wicke presented his client's position to the Board members and gave details of the situation that brought about this request. Mr. Wicke's request, on behalf of Mr. Montisano, was for the Board to determine it has the authority to re-open and reconsider a new application for a service-connected disability. Ms. Carlson stated that the Board had made a final decision when it acted upon the original application, and does not have the authority to reconsider. Board members discussed the request and noted it was difficult for them to disregard the findings of SamCERA's chief legal counsel.
Action: Ms. Kwan Lloyd moved that the Board lacks the authority to reconsider the application of Mr. Montisano, and denied his request. The motion was seconded by Ms. Settles and carried unanimously.

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Ms. Kwan Lloyd recessed the Board for a break at 2:33 p.m., and reconvened the meeting at 2:40 p.m. At this time, Mr. Hackleman was excused, and Mr. Murphy not being present, Mr. Miller served as the alternate for the remainder of the meeting.

0812.6 **Investment Services** (The Investment Committee met at 10:00 a.m.)

- 0812.6.1 **Preliminary Monthly Portfolio Performance Report:** Mr. Coultrip discussed the report with the Board. He explained that three accounts for which the report does not currently include one-month returns would have these figures added going forward. Mr. Coultrip noted that State Street has the ability to generate higher-level reports and he would return to the Board with samples. With no objections noted, the report was accepted.
- 0812.6.2 **Annual Review, Revision & Reaffirmation of the Investment Committee Charter:** Mr. David reported that the Investment Committee had discussed this earlier, and agreed to spend time working on the Investment Policy and revisit the Charter after the redraft of the Policy was completed.
Action: Mr. David moved to approve the Investment Committee Charter. The motion was seconded by Ms. Settles and carried unanimously.
- 0812.6.3 **Discussion of SamCERA's Investment Policy Redraft Process:** Mr. Coultrip stated that this item would come back to the full Board for discussion of objectives and philosophies, to begin the redraft process.
- 0812.6.4 **Quarterly Investment Performance Report for the Period Ending June 30, 2012:** Mr. Thomas presented the report and noted that performance was down. He hoped an allocation index could be included in the future, and discussed new options that SIS was exploring for reports. The performance for the Blackrock Large Cap Growth strategy was reviewed and changes to the investment team were discussed. SIS will make a recommendation to remove Blackrock's Large-Cap Growth strategy from SamCERA's management structure.
- 0812.6.5 **Report on the Annual Review of SamCERA's Core Bond Portfolio Managers (Aberdeen Asset Management, Pyramis Global Advisors, and Western Asset Management):** Mr. Thomas reported the meetings with the three managers went well and that value has been captured from Aberdeen. SIS will make a recommendation to remove Aberdeen from SamCERA's management structure.
- 0812.6.6 **Approval of Private Equity Investment Opportunity:** Mr. Faraz Shooshani presented the report on the private equity opportunity. He reviewed and discussed the history, performance and corporate structure of the company with the Board. Mr. Shooshani recommended SamCERA allocate \$40 million to this opportunity.
Action: Mr. David moved to adopt a resolution authorizing the Chair to execute an agreement with Warburg Pincus XI, L.P. for private equity investment management services; and authorize the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the investment. The motion was seconded by Ms. Settles and carried unanimously.

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

0812.6.7 **Discussion of Authority to Execute Documents and Take Certain Actions In Relation to Agreements on Behalf of the Board:** Mr. Bailey presented the staff report and discussed the process for approving contracts. He specifically discussed private equity opportunities or investment management decisions where there is not enough time given to receive Board approval, and talked about the ratification process for some contacts. Board members discussed a threshold and various scenarios, opining that a cap of \$25 million would be comfortable. Mr. Bailey said he would bring a resolution forward at a future meeting.

0812.7 **Board & Management Support Services**

0812.7.1 **Monthly Financial Report:** Ms. Wong presented the monthly financial report. With no objections noted, the report was accepted.

0812.7.2 **Update on Information Technology Project Progress:** Tariq Ali, SamCERA's Chief Technology Officer, discussed the progress of SamCERA's Information Technology Modernization Project with the Board, noting the upcoming staffing study and vendor demonstrations of pension administration software.

0812.8 **Management Reports**

0812.8.1 **Chief Executive Officer's Report:** Mr. Bailey said he would report on the actuarial survey at the September meeting. He noted that a travel tips brochure was included in the meeting day folders and would be available on Drop Box.

0812.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that webinars were now being added to the financial classes offered by SamCERA. The upcoming estate planning webinar is scheduled for December 10.

0812.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that on September 11 and 13, additional annual manager reviews would occur.

0812.8.4 **Chief Legal Counsel's Report:** Ms. Carlson discussed the recent pension reform legislation and included information in the meeting day folders. She stated that SamCERA would provide information to members and the Board as soon as the statutory language was available and could be analyzed and summarized.

CLOSED SESSION – The board may meet in closed session prior to adjournment

C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session:** None

C2 **Initiation of Litigation Pursuant to Subdivision (c) of Government Code Section 54956.9:**
One matter : The board adjourned into closed session at 4:04 p.m. and reconvened at 4:17 p.m.

9. **Report on Actions Taken in Closed Session:** Ms. Carlson reported that the Board authorized SamCERA's participation in BP litigation.

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

- 10. Adjournment:** With no further business Ms. Kwan Lloyd adjourned the meeting at 4:18 p.m. in memory of the following deceased members:

| | | |
|------------------|---------------|------------------------------|
| Quinn, Diane | July 6, 2012 | Public Health |
| Smylie, Alice | July 6, 2012 | Deferred from Human Services |
| Moran, Nancy | July 15, 2012 | Human Services |
| Gaddini, John | July 17, 2012 | Sheriff's Office |
| Vincent, John | July 18, 2012 | Probation |
| Hatfield, John | July 19, 2012 | Mental Health |
| Watters, Mary | July 22, 2012 | Library |
| Rodriguez, Rose | July 23, 2012 | Health Services |
| Dorow, Willi | July 24, 2012 | Engineer-Road |
| Stivala, Mary | July 28, 2012 | Probation |
| Remedios, Roy | July 30, 2012 | Controller |
| Stafford, Arlene | July 30, 2012 | Aging and Adult Services |

David Bailey
Chief Executive Officer

Kristina Perez
Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 4.0 (a)

To: Board of Retirement

From: Gladys Smith, Acting Assistant Executive Officer



Subject: Approval of Consent Agenda

ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT AGENDA.

Disability Retirements

1. The Board find that **Heikoti Fakava** is (1) permanently incapacitated for the performance of his duties as Deputy Sheriff, (2) find that his disability was a result of an illness arising out of and in the course of his employment and (3) grant his application for a service-connected disability retirement filed on his behalf.
2. The Board find that **Herlin Gomez** is (1) permanently incapacitated for the performance of her duties as a Medical Services Assistant II, (2) find that her disability was not a result of an illness arising out of and in the course of her employment and (3) grant her application for a non-service-connected disability retirement.
3. The Board find that **Fereshteh Harirchi** is (1) is not permanently incapacitated for the performance of her duties as a Staff Nurse and (2) deny her application for a service-connected disability retirement.

Service Retirements

1. The Board ratifies the actions as listed below for the following members regarding service retirements:

| Member Name | Effective Retirement Date | Department |
|--------------------|----------------------------------|--------------------------|
| Petrini, Martha | June 30, 2012 | Def'd from Food Services |
| Louie, Allan | July 3, 2012 | Behavioral Health |
| Chi, Adrian | July 12, 2012 | Information Services |
| Laurentz, Elena | July 12, 2012 | Aging and Adult Services |
| Najdawi, Nena | July 12, 2012 | San Mateo Medical Center |
| Welling, Patricia | July 12, 2012 | San Mateo Medical Center |
| Hafalia, Sol | July 15, 2012 | San Mateo Medical Center |
| Garcia, Toni | July 17, 2012 | Human Service Agency |

| | | |
|-------------------|---------------|--------------------------|
| Mulkerin, Mary | July 17, 2012 | Def'd from Probation |
| Newcomb, Carmen | July 21, 2012 | Planning and Building |
| Dionisio, Erlinda | July 25, 2012 | San Mateo Medical Center |
| Purcell, Sheila | July 28, 2012 | Superior Court |

Continuances

The Board ratifies the actions as listed below for the following members regarding continuances:

| Survivor's Name | Beneficiary of: |
|------------------------|------------------------|
| Garrett, Shellie | Garrett, Anne |
| Peterson, Stewart | Stivala, Mary |
| Vincent, Elaine | Vincent, John |

Deferred Retirements

The Board ratifies the actions as listed below for the following members regarding deferred retirements:

| Member Name | Retirement Plan Type |
|--------------------|-----------------------------|
| Pearson, Kimberly | G2, 3 Vested - Reciprocity |
| Blakely, Michelle | G4 Vested |
| Lucero, Ruben | G4 Vested |
| Siapno, Ofelia | G4 Vested |
| Andres, Adeline | G4 Vested |
| Garza, Alvaro | G4 Vested |
| Vite, Emie | G4 Vested |
| Gacayan, Cres | G4 Vested |
| Epler, Frances | G4 Vested |
| Saggese, Amy | G4 Vested – Auto Defer |
| Bissada, Phillip | G4 Vested – Auto Defer |
| Lorenzini, Joseph | G4 Vested – Auto Defer |
| Jacobs, Matthew | G4 Vested – Auto Defer |
| Gonzalez, Laura | G4 Vested – Auto Defer |

| | |
|-----------------|------------------------|
| Freirez, Elena | G4 Vested – Auto Defer |
| Ruiz, Raymond | G4 Vested – Auto Defer |
| Kelley, Janinie | G4 Vested – Auto Defer |
| Jacobson, Adam | G4 Vested – Auto Defer |

Member Account Refunds

The Board ratifies the actions as listed below for the following members regarding refunds:

| Member Name | Retirement Plan Type |
|-----------------------|------------------------------|
| Arzadon, Alexander | G4 Vested |
| Balbuena, Paul | G4 Vested |
| Boccone-Gallo, Juliet | Beneficiary of Smylie, Alice |
| Bresler, Lorelei | G4 Non-vested |
| Cruz, Marilou | G4 Non-vested |
| Cuadra, Virginia | G4 Vested |
| Estipona, Anastacia | G4 Vested |
| Fononga, Kalala | G4 Vested |
| Goff, LaFaidra | Beneficiary of Goff, Linda |
| Goff, Shelton | Beneficiary of Goff, Linda |
| Goff, Stanley | Beneficiary of Goff, Linda |
| Govind, Angeline | G4 Non-vested |
| Hom, Richard | G5 Non-vested |
| Johnson, Janet | G4 Vested |
| Julian, David | Beneficiary of Julian, LJ |
| Larsen, Jamie | G4 Non-vested |
| Mansueto, Mansueto | G4 Vested |
| McShan, Monique | G4 Vested |
| Osorio, Maria | G4 Vested |
| Puapuaga, Alofaaga | G4 Vested |
| Reisinger, Judith | G4 Vested |
| Segun-Abugan, Ibukun | G4 Non-vested |
| Silva, Mary | G4 Non-vested |
| Taumua, Ofeira | G4 Vested |

| | |
|-----------------|---------------|
| Tonga, Veisia | G4 Non-vested |
| Trinidad, Maria | G5 Non-vested |
| Uluave, Feiva | G4 Vested |
| Uy, Joyce | G4 Non-vested |
| Vara, Rosaleen | G4 Non-vested |
| Wells, Marjeana | G4 Non-vested |
| Wild, Gregory | G4 Non-vested |
| Wong, Peter | G4 Non-vested |

Member Account Rollovers

The Board ratifies the actions as listed below for the following members regarding rollovers:

| Member Name | Retirement Plan Type |
|---------------------|-----------------------------|
| Abinader, Stephanie | G4 Non-vested |
| Agiewich, Eve | G4 Non-vested |
| Blackmore, Craig | G4 Non-vested |
| Castillo, Ana | G4 Non-vested |
| Cesista, Luz | G4 Vested |
| Corbin, Danielle | G4 Non-vested |
| Isip, Teresa | G4 Non-vested |
| Lam, Mei | G4 Non-vested |
| Lee, Tiffany | G4 Non-vested |
| Lokotui, Silia | G4 Vested |
| Malacaman, Maria | G4 Non-vested |
| Martinez, Aracely | G4 Non-vested |
| Palconit, Elizabeth | G4 Non-vested |
| Prudente, Ana | G4 Vested |
| Ramos, Arnel | G4 Vested |

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 4.0

To: Board of Retirement



From: Michael Coultrip, Chief Investment Officer

Subject: Approval of Western Asset Request to Implement Emerging Debt Allocation via Commingled Fund

STAFF RECOMMENDATION: Authorize staff to execute the required fund subscription forms for the Western Asset Opportunistic Emerging Markets Portfolio, L.L.C.

DISCUSSION: During the annual portfolio review with Western Asset in August 2012, Western Asset requested that we consider implementing part of our allocation to emerging market debt with their commingled fund (Western Asset Opportunistic Emerging Markets Portfolio, L.L.C.), similar to how we currently use their funds for opportunistic exposure to high yield (via Western Asset Opportunistic US\$ High Yield L.L.C.), bank loans (via Western Asset Floating Rate High Income Fund, L.L.C.), and international investment grade securities (via Western Asset Opportunistic Intl Investment Grade Securities Portfolio L.L.C.).

The WA Opportunistic Emerging Markets Portfolio, L.L.C. rotates between the three main subsectors of the emerging market debt universe: USD-denominated EM sovereign, local currency denominated EM sovereign and USD-denominated EM corporate.


Allocation to the WA Opportunistic Emerging Markets Portfolio, L.L.C. would allow for higher potential alpha opportunities in a more efficient and cost-effective way to gain exposure to the USD-sovereign, local-currency sovereign, and emerging corporate sub-sectors within the emerging debt universe. Staff has reviewed the performance and characteristics of the portfolio and recommends Board approval.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 4.0

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer 

SUBJECT: Revision of the Minutes of the May 22, 2012, Board of Retirement Meeting

Staff Recommendation

Staff recommends that the Board approve the attached revised minutes of the May 22, 2012, Board of Retirement meeting.

Summary

Milliman Inc. has asked that the Board add a detailed list of the actuarial assumptions approved at the May 22, 2012, meeting. The attached minutes clarify that the Board, in addition to lowering the investment return assumption from 7.75% to 7.5%, approved the following assumptions at that meeting for use in the June 30, 2012, Actuarial Valuation:

General Wage Growth = 3.75% (was 4.00%)
Payroll Growth = 3.75% (was 4.00%)
COLA (Plan 1 G&S) = 3.25% (was 3.50%)
COLA (Plan 1 P) = 2.90% (was 3.00%)
COLA (Plan 2) = 2.65% (was 2.75%)
COLA (Plan 3) = 0.00% (no change)
COLA (Plans 4, 5 & 6) = 1.90% (was 2.00%)

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

0.512.5.2

Consideration and Direction to Milliman Inc. Regarding Assumptions to be used in the June 30, 2012, Actuarial Valuation: Nick Collier presented the report and discussed lowering the assumed investment return rate from 7.75% to 7.5% with the board. Several scenarios were analyzed. Board members discussed impacts of a reduction of the assumption to 7.5% or lower, applying no changes to the assumption rate or gradually lowering the assumption rate over time. The relationship between a lowered return assumption and an increased member rate were discussed. Other topics of discussion by the Board included the effects of a one-time lump sum payment from the County; the amortization rate for reduction of unfunded liability; impact of all scenarios on members; and comparison to other systems' assumed rates. It was noted for the record that Reyna Farrales and Jim Saco from the County Manager's Office were present; as well as Michael Barber from Supervisor Pine's office, and representatives from County employees' bargaining units. Mr. Bailey stated that staff's recommendation was to approve all the assumptions, and to reduce the assumed investment return rate to 7.5%.

Action: Mr. Hackleman moved to accept staff's recommendation to lower the investment return assumption from 7.75% to 7.5% and approve the following additional changes to assumptions for use in the June 30, 2012, Actuarial Valuation:

- General Wage Growth = 3.75% (was 4.00%)
- Payroll Growth = 3.75% (was 4.00%)
- COLA (Plan 1 G&S) = 3.25% (was 3.50%)
- COLA (Plan 1 P) = 2.90% (was 3.00%)
- COLA (Plan 2) = 2.65% (was 2.75%)
- COLA (Plan 3) = 0.00% (no change)
- COLA (Plans 4, 5 & 6) = 1.90% (was 2.00%)

It was further moved that all demographic assumptions (mortality, rates of retirement, rates of termination, etc.) remain unchanged from the 2011 Valuation. The motion was seconded by Ms. Kwan Lloyd and carried unanimously.

Mr. David adjourned the meeting for a short break at 2:10 p.m., reconvening at 2:20 p.m. Upon reconvening the board heard item 7.7, followed by item 6.1, and continuing in order of the agenda.

0512.7.7

Approval to Renew Fiduciary Liability Insurance Policy - Mr. Hood introduced a representative from Travelers Insurance Company who talked about SamCERA's current fiduciary liability insurance policy. The board discussed the \$10 million dollar limit of coverage and concluded it was a sufficient level of coverage. It was noted that \$25 from each trustee and manager would be collected for non-recourse coverage for individuals. **Action:** Ms. Settles moved to authorize the renewal of the current fiduciary liability insurance policy with Travelers Insurance. The motion was seconded by Ms. Kwan Lloyd and carried unanimously.

0512.6

Investment Services

0512.6.1

Presentation of the Preliminary Monthly Portfolio Performance Report: Mr. Clifton presented the monthly performance report to the Board. With no objections noted, the report was accepted.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 5.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Presentation of the June 30, 2012, Actuarial Valuation Report by Milliman, Inc.

Staff Recommendation

This is an information-only item. Nick Collier of Milliman, Inc. will present the results of the June 30, 2012, Actuarial Valuation. This item will be followed by item 5.3 in which the Board will be asked to approve the employer and member contribution rates and recommendations of the valuation report.

Summary

The June 30, 2012, Actuarial Valuation includes recommendations summarized in the table below.

| | 6/30/2012 Valuation Recommended | 6/30/2011 Valuation Adopted | Difference |
|--------------------------------------|--|--|-------------------|
| Average Employer Contribution Rate | 35.49% | 34.00% | 1.49% |
| Average Member Contribution Rate | 10.52% | 10.32% | 0.20% |
| Funded Ratio | 72% | 74% | (2.00%) |
| Unfunded Actuarial Accrued Liability | \$962 million | \$842 million | \$120 Million |

Among the factors contributing to the changes shown above were:

- the lowering of the investment return assumption from 7.75% per year to 7.50% per year, and
- a return on investments for the 2011-12 fiscal year of approximately 00.07%.

Detailed information is included in the attached slides and full valuation report from Milliman, Inc.

San Mateo County Employees' Retirement Association
Actuarial Valuation
June 30, 2012

By

Nick J. Collier

Associate, Society of Actuaries
Enrolled Actuary
Member, American Academy of Actuaries





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milliman.com

September 18, 2012

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, 2013.

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."

This work product was prepared solely for *SamCERA* for the purposes described herein and 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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, 2012. 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 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:

- (a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.

This work product was prepared solely for *SamCERA* for the purposes described herein and 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



(b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

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, appearing to read "Nick Collier".

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

NJC/nlo

San Mateo County Employees' Retirement Association

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San Mateo County Employees' Retirement Association

Section 1: Summary of the Findings



2012 Valuation Results

| | June 30, 2012 | June 30, 2011 |
|----------------------------|---------------|---------------|
| Employer Contribution Rate | 35.49% | 30.97% * |
| Funded Ratio | 72.0% | 74.1% |

* Calculated rate from prior valuation. Actual rate being contributed is higher.

Overview

This report presents the results of the June 30, 2012 actuarial valuation. Several key points are summarized as follows:

- **Funding:** The Funded Ratio decreased from 74.1% to 72.0%. This decrease was primarily due to the recognition of asset losses under the asset smoothing method.
- **Contribution Rates:** The Employer Normal Cost rate of 11.52% increased from 11.25% reported in the prior year. This rate was influenced by the new investment return assumption of 7.50%, which was adopted effective with the June 30, 2012 valuation. 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 increased from 19.72% to 23.97%. The overall result is an increase in the required total contribution rate from the prior valuation of 4.52% (from 30.97% to 35.49% of payroll).

- **Investment Returns:** *SamCERA's* investment return on the market value of assets for the prior year (-0.4%, based on Milliman's estimate) was less than the actuarial assumed rate of 7.75% (effective for the prior year). Combined with the recognition of net investment losses from prior years, the net result was a return on the actuarial value of assets of 0.7%, which is lower than the expected return. This actuarial loss on valuation assets caused a decrease in the system's funding status and an increase in the required employer contribution rate. The increase in the employer contribution rate due to the investment return (on an actuarial basis) was further increased by a change in economic assumptions, primarily a decrease in assumed future returns.

Note that currently a \$120 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 current and prior four years. These deferred losses will be reflected in future valuations.

Overview (continued)

- **New Assumptions:** New economic assumptions were adopted effective with the June 30, 2012 actuarial valuation. The assumed rate of return was lowered to 7.50%, a decrease of 0.25% from the previous assumption. The CPI assumption and Wage Growth assumption were each lowered 0.25% to correspond to an unchanged real rate of return. Additionally, the assumed future COLA increases for each Plan were revised to reflect the lower CPI assumption. See Appendix A for details. The overall impact of the assumption changes was an 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.

Effective July 10, 2011, new Probation members enter Plan 5 or Plan 6. Effective August 7, 2011, new General members enter Plan 5. Effective January 8, 2012, new Safety members enter Plan 5 or Plan 6.

Effective January 8, 2012, all Plan 1, 2, and 4 members of the California Nurses Association (CNA) contribute 25% of the expected cost of post-retirement cost-of-living-adjustments (COLAs). This is in addition to their basic member contributions and non-COLA cost sharing.

See Appendix B for a more complete description of the provisions of these new Plans.

- **Legislation:** It should be noted that recent legislation was adopted that will impact nearly all California public retirement systems. Any potential changes to SamCERA have not been reflected in this valuation as the legislation is not effective until January 1, 2013. We would expect these legislative changes would initially have a small impact on the actuarial valuation results, but could ultimately have a significant impact.

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, 2011 actuarial valuation. All employers are currently contributing at a higher level than those calculated rates.

Summary of Recommendations

The following exhibit summarizes our recommendations to the Board.

San Mateo County Employees' Retirement Association

Exhibit 1a Summary of Recommendations

Recommendation #1: Adopt new employer contribution rates for fiscal year beginning July 1, 2013

| | June 30, 2012 | June 30, 2011 | Increase / (Decrease) |
|----------------------|---------------|---------------|--------------------------|
| Gross Normal Cost | 22.04% | 21.57% | 0.47% |
| Member Contributions | (10.52)% | (10.32)% | (0.20)% |
| Employer Normal Cost | 11.52% | 11.25% | 0.27% |
| UAAL Amortization | 23.97% | 19.72% | 4.25% |
| Total Employer Rate | 35.49% | 30.97% | 4.52% |

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.
- 4) The total Employer Rate shown for the prior year is the rate calculated in the June 30, 2011 actuarial valuation. The Employers are currently contributing at a higher rate.

Exhibit 1b Summary of Recommendations (continued)

Recommendation #2: Adopt new member contribution rates for fiscal year beginning July 1, 2013

| | Entry Age | Recommended Rates | | | Total as a % of Pay | Current | Ratio (New/Curr) |
|---|-----------|-------------------|-------------------|--------------|---------------------|---------------------|------------------|
| | | Basic | COLA Cost Sharing | Cost Sharing | | Total as a % of Pay | |
| General Members - County & Courts ⁽¹⁾⁽²⁾ | | | | | | | |
| Plans 1 & 2 | 25 | 6.19% | N/A | 3.00% | 9.19% | 9.06% | 101.4% |
| | 35 | 7.42% | N/A | 3.00% | 10.42% | 10.25% | 101.7% |
| | 45 | 8.91% | N/A | 3.00% | 11.91% | 11.71% | 101.7% |
| Plan 4 | 25 | 5.94% | N/A | 3.00% | 8.94% | 8.80% | 101.6% |
| | 35 | 7.12% | N/A | 3.00% | 10.12% | 9.94% | 101.8% |
| | 45 | 8.51% | N/A | 3.00% | 11.51% | 11.29% | 101.9% |
| Plan 5 | 25 | 5.12% | 1.09% | 0.00% | 6.21% | 6.10% | 101.8% |
| | 35 | 6.14% | 1.31% | 0.00% | 7.45% | 7.30% | 102.0% |
| | 45 | 7.37% | 1.57% | 0.00% | 8.94% | 8.76% | 102.1% |
| General Members - SMCM&VCD | | | | | | | |
| Plans 1 & 2 | 25 | 6.19% | N/A | 0.00% | 6.19% | 6.06% | 102.1% |
| | 35 | 7.42% | N/A | 0.00% | 7.42% | 7.25% | 102.3% |
| | 45 | 8.91% | N/A | 0.00% | 8.91% | 8.71% | 102.3% |
| Plan 4 | 25 | 5.94% | N/A | 0.00% | 5.94% | 5.80% | 102.4% |
| | 35 | 7.12% | N/A | 0.00% | 7.12% | 6.94% | 102.6% |
| | 45 | 8.51% | N/A | 0.00% | 8.51% | 8.29% | 102.7% |
| Probation Members (Reflects Employer Pick-up) ⁽²⁾ | | | | | | | |
| Plans 1 & 2 | 25 | 6.73% | N/A | 3.50% | 10.23% | 10.07% | 101.6% |
| | 35 | 8.08% | N/A | 3.50% | 11.58% | 11.38% | 101.8% |
| | 45 | 9.51% | N/A | 3.50% | 13.01% | 12.77% | 101.9% |
| Plan 4 | 25 | 6.46% | N/A | 3.50% | 9.96% | 9.79% | 101.7% |
| | 35 | 7.75% | N/A | 3.50% | 11.25% | 11.04% | 101.9% |
| | 45 | 8.96% | N/A | 3.50% | 12.46% | 12.22% | 102.0% |
| Plan 5 | 25 | 6.46% | 2.39% | 3.50% | 12.35% | 12.16% | 101.6% |
| | 35 | 7.75% | 2.87% | 3.50% | 14.12% | 13.88% | 101.7% |
| | 45 | 8.96% | 3.32% | 3.50% | 15.78% | 15.51% | 101.7% |
| Plan 6 | 25 | 6.46% | 2.16% | 0.00% | 8.62% | 8.38% | 102.8% |
| | 35 | 7.75% | 2.59% | 0.00% | 10.34% | 10.04% | 102.9% |
| | 45 | 8.96% | 2.99% | 0.00% | 11.95% | 11.61% | 102.9% |
| Safety Members - Other than Deputy Sheriff ⁽²⁾⁽³⁾ | | | | | | | |
| Plans 1 & 2 | 25 | 8.41% | N/A | 5.00% | 13.41% | 13.21% | 101.5% |
| | 35 | 10.09% | N/A | 5.00% | 15.09% | 14.85% | 101.6% |
| | 45 | 11.89% | N/A | 5.00% | 16.89% | 16.59% | 101.8% |
| Plan 4 | 25 | 8.07% | N/A | 5.00% | 13.07% | 12.86% | 101.6% |
| | 35 | 9.68% | N/A | 5.00% | 14.68% | 14.43% | 101.7% |
| | 45 | 11.20% | N/A | 5.00% | 16.20% | 15.90% | 101.9% |
| Plan 5 | 25 | 8.07% | 2.43% | 4.00% | 14.50% | 14.26% | 101.7% |
| | 35 | 9.68% | 2.91% | 4.00% | 16.59% | 16.31% | 101.7% |
| | 45 | 11.20% | 3.37% | 4.00% | 18.57% | 18.22% | 101.9% |
| Plan 6 | 25 | 8.07% | 2.17% | 0.00% | 10.24% | 9.97% | 102.7% |
| | 35 | 9.68% | 2.60% | 0.00% | 12.28% | 11.96% | 102.7% |
| | 45 | 11.20% | 3.01% | 0.00% | 14.21% | 13.83% | 102.8% |

(1) Does not include Plan 1, 2, or 4 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) Does not include COLA sharing for rehires for Plans 1, 2, and 4 on or after August 7, 2011 (General County & Courts), on or after July 10, 2011 (Probation), on or after January 8, 2012 (Safety).

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

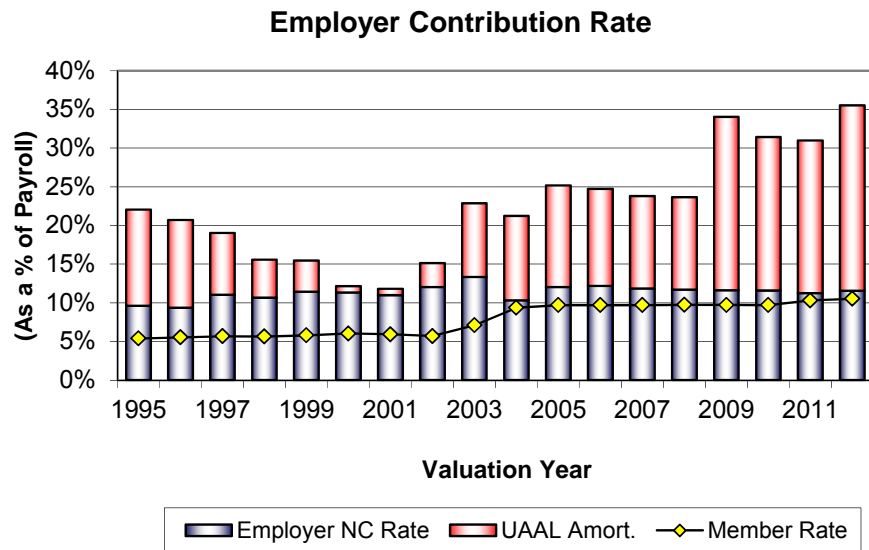
- 3.0% if employee is less than 45 and has less than 5 years of service.
- 3.5% if employee is less than 45 and has between 5 and 15 years of service.
- 4.5% if employee is older than 45 or has at least 15 years of service.

Employer Contribution Rate

Under the Board’s current funding objectives, the calculated employer contribution rate for the fiscal year beginning July 1, 2013 is 35.49% 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 35.49% is a weighted average for all *SamCERA* plans. The actual percent of payroll to be contributed by the employer varies by plan. See Exhibits 11 through 11f for the total employer contribution rates by plan.

The new rate is effective for the fiscal year beginning July 1, 2013. The 35.49% 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. The primary cause of the decrease in the Funded Ratio was the recognition of asset losses. There were several factors that influenced the employer contribution rate, with the overall impact of these additional factors being a significant increase over the calculated employer rates from the last valuation.

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 |
|--|----------------------------|--------------|
| June 30, 2011 Actuarial Valuation | 30.97% | 74.1% |
| Expected Year-to-Year Change | 0.00% | 2.0% |
| Recognized Asset Gain/Loss | | |
| From Current Year | 0.93% | -1.2% |
| From Prior Years | 2.83% | -3.7% |
| Retiree COLAs Less than Expected | -0.26% | 0.2% |
| Salary Increase < Assumed | -1.00% | 1.0% |
| Payroll Decrease | 1.02% | 0.0% |
| Change in Average Entry Age and Plan | 0.03% | 0.0% |
| Economic Assumption Changes | 1.15% | -0.8% |
| Employer Rate > Required | -0.29% | 0.4% |
| Other Experience Changes | 0.11% | 0.0% |
| Total Change | 4.52% | -2.1% |
| June 30, 2012 Actuarial Valuation | 35.49% | 72.0% |

Funding Progress

Based on the 2011 valuation, the expected UAAL as of June 30, 2012 was \$802 million. The actual UAAL for the fiscal year ending June 30, 2012 is \$962 million. This was primarily caused by the recognition of asset losses and the change to the investment return assumption. Other factors somewhat offset this loss on the UAAL. These factors are shown in detail at the end of Section 4.

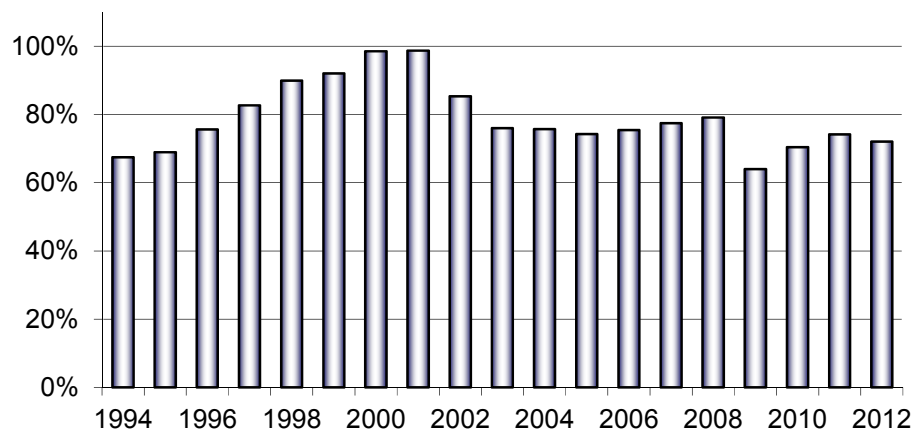
One measure of the funding adequacy of the system is the Funded Ratio, which compares the value of the Actuarial Value of Assets (net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL), for all *SamCERA* plans combined. *SamCERA's* Funded Ratio increased rapidly in the last half 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 72.0%; that is, the actuarial value of assets of \$2,480 million is about 28% less than the actuarial accrued liabilities of \$3,443 million. Note that if the market value of assets was used, the Funded Ratio would be 68.6%.

**Funding Progress
(continued)**

(All dollar amounts in millions)

| | Market Value of Total Assets | Actuarial Value | | Actuarial Accrued Liability | Funded Ratio |
|------|------------------------------|-----------------|---------------|-----------------------------|--------------|
| | | Valuation | Non-Valuation | | |
| 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 | 2,318 | 2,405 | 0 | 3,247 | 74.1 |
| 2012 | 2,360 | 2,480 | 0 | 3,443 | 72.0 |

Historical Funded Ratios



Assets

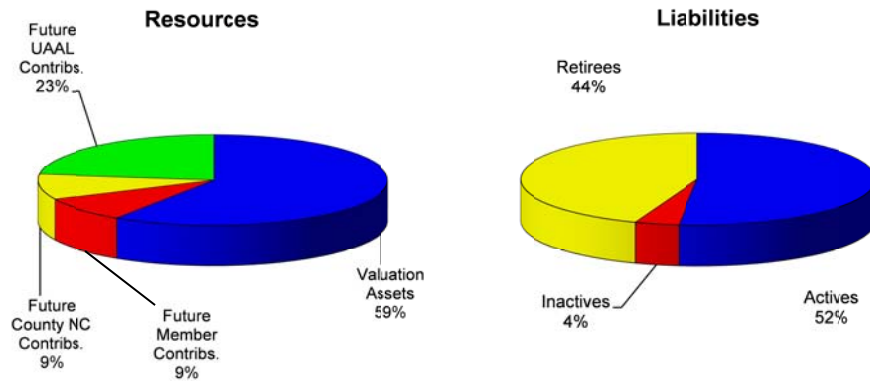
For the fiscal year ending June 30, 2012, we estimate that *SamCERA* earned -0.4%, net of investment expenses, on its market assets. Note that our return figure may be slightly different than that shown in the 2012 CAFR due to timing of contributions and benefit payments, as well as the treatment of 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 current year and deferred prior year asset losses, the return on actuarial valuation assets, at 0.7%, net of expenses, was greater than the expected return of 7.75% for the prior year.

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.

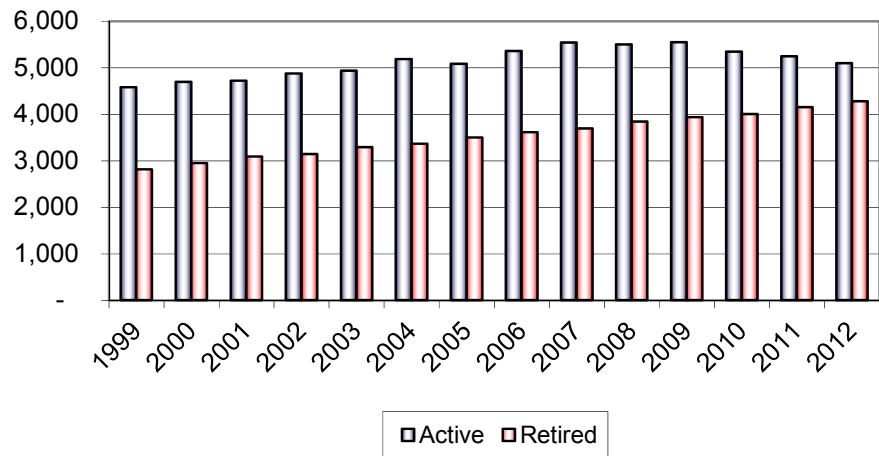


Member Information

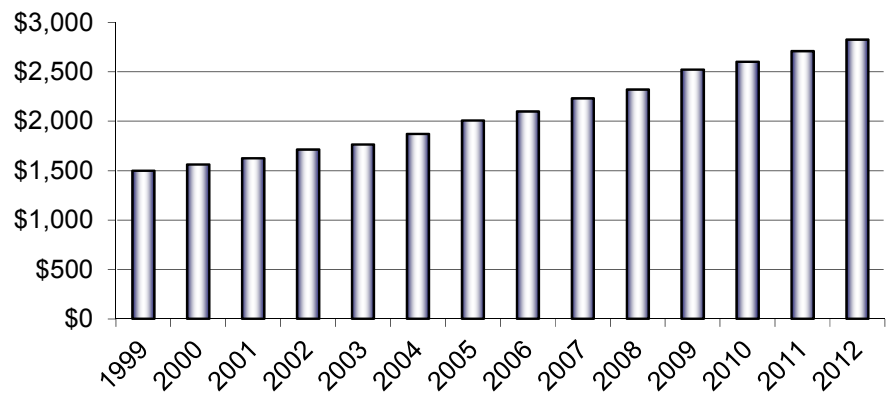
The number of active members included in the valuation decreased by 2.9% from 5,245 in 2011 to 5,095 in 2012.

Retired member counts and average retirement benefit amounts continue to increase steadily. For 2012, there were 4,275 retired members and beneficiaries with an average benefit of \$2,823 per month. This represents a 3.1% increase in count (up from 4,147 in 2011), and a 4.3% increase in the average monthly benefit (up from \$2,706 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 |
|------------------------------------|-----------------------------------|---------------------|---|
| June 30, 2011 Valuation | 5,245 | 1,190 | 4,147 |
| Termination without Refund | (204) | 204 | - |
| Termination with Refund | (91) | (18) | - |
| Active/Deferred Death with Annuity | (5) | (2) | 7 |
| Service Retirement | (167) | (71) | 238 |
| Disability Retirement | (6) | (3) | 9 |
| Retiree Death without Beneficiary | - | - | (126) |
| New Entrants | 235 | - | - |
| Rehires | 88 | (88) | - |
| Total Change | (150) | 22 | 128 |
| June 30, 2012 Valuation | 5,095 | 1,212 | 4,275 |

Summary Valuation Results

The following Exhibit 2 presents a summary of key results from June 30, 2012 and June 30, 2011, 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, 2012 | June 30, 2011 | Relative Change |
|---|---------------|----------------|--------------------|
| 1. Total Membership | | | |
| A. Active Members | 5,095 | 5,245 | (2.9)% |
| B. Retired Members & Beneficiaries | 4,275 | 4,147 | 3.1% |
| C. Vested Terminated Members | 1,212 | 1,190 | 1.8% |
| D. Total | 10,582 | 10,582 | - |
| 2. Pay Rate | | | |
| A. Annual Total (\$thousands) | \$ 427,650 | \$ 432,542 | (1.1)% |
| B. Monthly Average | \$ 6,995 | \$ 6,872 | 1.8% |
| 3. Average Monthly Benefit to Current Retirees and Beneficiaries | | | |
| A. Service Retirement | \$ 2,955 | \$ 2,839 | 4.1% |
| B. Disability Retirement | \$ 2,927 | \$ 2,797 | 4.6% |
| C. Surviving Spouse and Dependents | \$ 1,943 | \$ 1,836 | 5.8% |
| D. Total | \$ 2,823 | \$ 2,706 | 4.3% |
| 4. Actuarial Accrued Liability (\$thousands) | | | |
| A. Active Members | \$ 1,419,762 | \$ 1,380,509 | 2.8% |
| B. Retired Members | \$ 1,854,820 | \$ 1,719,251 | 7.9% |
| C. Vested Terminated Members | \$ 167,971 | \$ 146,967 | 14.3% |
| D. Total | \$ 3,442,553 | \$ 3,246,727 | 6.0% |
| 5. Assets | | | |
| A. Market Value of Fund (\$thousands) | \$ 2,360,304 | \$ 2,317,776 * | 1.8% |
| B. Return on Market Value* | -0.4% | 23.7% | |
| C. Actuarial Value (\$thousands) | \$ 2,480,271 | \$ 2,405,140 | 3.1% |
| D. Return on Actuarial Value* | 0.7% | 7.2% | |
| <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) | \$ 962,282 | \$ 841,587 | 14.3% |
| 7. Required employer contribution rate for all plans combined as a percent of total payroll | | | |
| A. Gross Normal Cost | 22.04% | 21.57% | 2.2% |
| B. Member Contributions | (10.52)% | (10.32)% | 1.9% |
| C. Employer Normal Cost | 11.52% | 11.25% | 2.4% |
| D. UAAL Amortization | 23.97% | 19.72% | 21.6% |
| E. Total Employer Rate | 35.49% | 30.97% | 14.6% |
| 8. Funded Ratio (5C / 4D) | 72.0% | 74.1% | (2.7)% |
| 9. Results Based on Market Value (No Asset Smoothing) -- For Informational Purposes Only | | | |
| A. Total Employer Rate | 37.98% | 33.30% | 14.1% |
| B. Funded Ratio (5A / 4D) | 68.6% | 71.4% | (4.0)% |

* The 2011 market value of assets reflects revision to assets by SamCERA following publication of the June 30, 2011 actuarial valuation.

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San Mateo County Employees' Retirement Association

Section 2: Scope of the Report



This report presents the actuarial valuation of the San Mateo County Employees' Retirement Association as of June 30, 2012. 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, 2012.

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, 2012.
- 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.

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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, 2012. 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 Total Assets | Actuarial Value | |
| | | Non- Valuation Reserves | Valuation Assets |
| 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 | 2,318 | 0 | 2,405 |
| 2012 | 2,360 | 0 | 2,480 |

On June 30, 2012, the total market value of the fund was about \$2.36 billion. The actuarial value of the fund was determined to be \$2.48 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 its 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. Note that the 2011 Market Value of Assets was revised by *SamCERA* subsequent to the publication of the 2011 actuarial valuation. We have reflected these revisions in the current report.

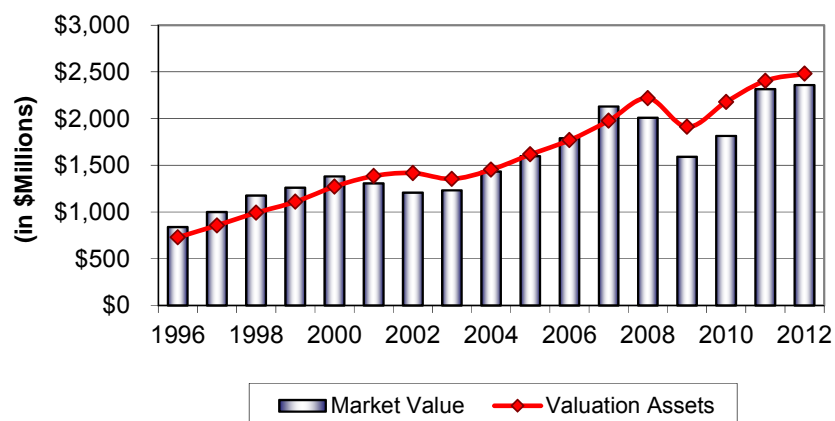
Actuarial Asset Method

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. For the current valuation, the assumed rate of return on the prior year's assets 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. Note that, because the investment return assumption was changed to 7.50% beginning June 30, 2012, the 2013 valuation will assume 7.50% earnings on the June 30, 2012 market value.

Actuarial Value of Assets

The development of the June 30, 2012 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 2007 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, including the current year loss. 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, 2011 and 2012

| | 2012 | 2011* |
|--|-------------------------|-------------------------|
| Assets | | |
| Cash and Cash Equivalents | 49,733,227 | 62,694,785 |
| Securities Lending Cash Collateral | 199,380,508 | 199,438,881 |
| Total Cash | \$ 249,113,735 | \$ 262,133,666 |
| Receivables | | |
| Contributions | 3,702,233 | 10,470,382 |
| Due from broker for investments sold | 125,066,558 | 148,074,596 |
| Investment Income | 5,414,934 | 5,800,573 |
| Other receivables | 113,496 | 113,735 |
| Securities Lending Income | 97,138 | 67,915 |
| Total Receivables | 134,394,359 | 164,527,201 |
| Prepaid Expense | 7,669 | 7,669 |
| Investments at Fair Value | | |
| Domestic fixed income securities | 554,504,406 | 585,292,402 |
| Domestic equities | 902,422,401 | 932,277,233 |
| International equities | 408,832,756 | 398,753,172 |
| Real estate | 146,917,122 | 135,475,106 |
| Private Equities | 19,404,901 | 3,740,976 |
| Risk Parity | 152,628,991 | 145,620,699 |
| Hedge Funds | 68,994,760 | 69,986,272 |
| Commodities | 69,902,427 | - |
| Total Investments | 2,323,607,764 | 2,271,145,860 |
| Capital Assets Net of Depreciation | - | - |
| Total Assets | 2,707,123,527 | 2,697,814,396 |
| Liabilities | | |
| Payables | | |
| Investment management fees | 2,533,960 | 1,869,336 |
| Due to broker for investments purchased | 141,487,676 | 175,192,142 |
| Collateral Payable for Securities Lending | 199,380,508 | 199,438,881 |
| Mortgage Note Payable | | |
| Due within one year | - | - |
| Due in more than one year | - | - |
| Other | 3,417,729 | 3,538,208 |
| Total Liabilities | 346,819,873 | 380,038,567 |
| Net Assets Held in Trust for Pension Benefits | \$ 2,360,303,654 | \$ 2,317,775,829 |

*2011 results reflect revisions to assets by SamCERA following publication of June 30, 2011 actuarial valuation.

San Mateo County Employees' Retirement Association

Exhibit 4: Statement of Changes in Plan Net Assets for the Years Ended June 30, 2011 and 2012

| | 2012 | 2011 ** |
|--|-----------------------------|-----------------------------|
| Additions | | |
| Contributions | | |
| Employer | \$ 150,949,761 | \$ 150,474,872 |
| Employee | 49,687,136 | 49,013,027 |
| Total Contributions | <u>200,636,897</u> | <u>199,487,899</u> |
| Investment Income/(Loss) | | |
| Interest and dividends | 61,653,951 | 50,758,044 |
| Net appreciation/(depreciation) in Fair Value | (51,737,514) | 403,496,528 |
| | <u>9,916,437</u> | <u>454,254,572</u> |
| Less investment expense | 20,940,955 | 16,600,673 |
| Net Investment Income/(Loss) | <u>(11,024,519)</u> | <u>437,653,899</u> |
| Securities Lending Income | | |
| Earnings | 452,442 | 558,768 |
| Less securities lending expense | (268,777) | 28,457 |
| Net Securities Lending Income | <u>721,219</u> | <u>530,311</u> |
| Other Additions | 29,025 | 73,305 |
| Total Additions/(Declines) | <u>190,362,623</u> | <u>637,745,414</u> |
| Deductions | | |
| Association Benefits | | |
| Service retirement allowances | 122,541,648 | 114,422,667 |
| Disability retirement allowances | 15,532,365 | 14,552,927 |
| Medical Benefits | - | - |
| Death and other death benefits | 1,133,577 | 858,946 |
| Total Association Benefits | <u>139,207,590</u> | <u>129,834,540</u> |
| Refunds of members' contributions | 3,627,492 | 2,474,445 |
| Administrative Expense | 5,033,047 | 3,547,526 |
| Other Expense | (33,331) | 9,529 |
| Total Deductions | <u>147,834,798</u> | <u>135,866,040</u> |
| Net Increase/(Decrease) | 42,527,825 | 501,879,374 |
| Net Assets Held in Trust for Pension Benefits: | | |
| Beginning of Year | 2,317,775,829 | 1,815,896,455 |
| End of Year | <u>2,360,303,654</u> | <u>2,317,775,829</u> |
| Estimated Return, Net of Investment Expenses * | -0.4% | 23.7% |

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

**2011 results reflect revisions to assets by SamCERA following publication of June 30, 2011 actuarial valuation.

**San Mateo County Employees'
Retirement Association**

**Exhibit 5: Allocation of Assets by Accounting Reserve Amounts
for the Years Ended June 30, 2011 and 2012**

| Valuation Reserves | 2012 | 2011 * |
|---|-------------------------|-------------------------|
| 1. Member Deposit Reserve | \$ 498,568,652 | \$ 485,125,877 |
| 2. County Advance Reserve | 361,197,981 | 310,568,622 |
| 3. Retiree Reserves | 858,440,088 | 765,312,627 |
| 4. Cost of Living Reserve | <u>843,061,707</u> | <u>760,505,829</u> |
| 5. Total Valuation Reserves | \$ 2,561,268,428 | \$ 2,321,512,954 |
| Non-Valuation Reserves | 2012 | 2011 * |
| 1. Contingency Reserve | | |
| a. Reserves for Deficiencies in Interest Earnings | \$ - | \$ - |
| b. Unallocated Earnings / Loss Account | <u>(80,997,723)</u> | <u>83,655,373</u> |
| c. Total | \$ (80,997,723) | \$ 83,655,373 |
| 2. Market Stabilization Account | <u>(119,967,051)</u> | <u>(87,392,498)</u> |
| 3. Total Non-Valuation Reserves | \$ (200,964,774) | \$ (3,737,125) |
| 4. Total Reserves (Market Value of Assets) | \$ 2,360,303,654 | \$ 2,317,775,829 |

**2011 results reflect revisions to assets by SamCERA following publication of June 30, 2011 actuarial valuation.*

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) |
|------------------------|-------------------------------------|---------------|------------------|-------------------------------|------------------------|-----------------|----------------|--------------------------|
| 6/30/2012 | \$ 2,280,940,966 | \$ 28,676,113 | \$ 73,157,072 | 2,360,303,654 | 3.875% | \$ 87,461,531 | \$ 123,843,647 | \$ 36,382,116 |
| 12/31/2011 | 2,317,775,829 | 171,960,784 | 69,678,010 | 2,280,940,966 | 3.875% | 91,600,467 | (139,117,637) | (230,718,104) |
| 6/30/2011 * | 2,167,939,516 | 96,998,690 | 67,484,144 | 2,317,775,829 | 3.875% | 85,497,449 | 120,321,766 | 34,824,317 |
| 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) |

*2011 "Market Value at End of Period" reflects revisions to assets by SamCERA following publication of the June 30, 2011 actuarial valuation.



This work product was prepared solely for SamCERA for the purposes described herein and 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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 |
| 6/30/2012 | 90% | x | \$ 36,382,116 | = \$ 32,743,904 |
| 12/31/2011 | 80% | x | (230,718,104) | = (184,574,483) |
| 6/30/2011 | 70% | x | 34,824,317 | = 24,377,022 |
| 12/31/2010 | 60% | x | 242,116,312 | = 145,269,787 |
| 6/30/2010 | 50% | x | (138,062,572) | = (69,031,286) |
| 12/31/2009 | 40% | x | 195,837,576 | = 78,335,030 |
| 6/30/2009 | 30% | x | (32,021,328) | = (9,606,398) |
| 12/31/2008 | 20% | x | (569,104,010) | = (113,820,802) |
| 6/30/2008 | 10% | x | (236,598,249) | = (23,659,825) |
| 12/31/2007 | 0% | x | (112,208,308) | = 0 |
| Total Gain / (Loss) Excluded = Market Stabilization Reserve | | | | = \$ (119,967,051) |

Development of Valuation Assets

| | | |
|--|---------------|----------------------|
| 1. Market Value of Assets as of June 30, 2012 | | \$ 2,360,303,654 |
| 2. Preliminary Market Stabilization Reserve | | <u>(119,967,051)</u> |
| 3. Preliminary Actuarial Value of Assets (1) - (2) | | 2,480,270,705 |
| 4. Corridor Around Market Value | | |
| a) Minimum = 80% of Market | 1,888,242,923 | |
| b) Maximum = 120% of Market | 2,832,364,384 | |
| c) Corridor Adjustment | | 0 |
| 5. Market Stabilization Reserve | (119,967,051) | |
| 6. Gross Actuarial Valuation of Assets (3) - (4c) | | \$ 2,480,270,705 |
| 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) | | \$ 2,480,270,705 |

**San Mateo County Employees'
Retirement Association**

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

| | General | Safety | Probation | Total |
|---|---------------------|-------------------|-------------------|---------------------|
| 1. Prior Year UAAL | \$ 579,208 | \$ 209,839 | \$ 52,540 | \$ 841,587 |
| 2. Expected UAAL Contribution for Preceding Year | (66,965) | (27,631) | (5,996) | (100,592) |
| 3. Expected Interest at 7.75% | 42,342 | 15,212 | 3,844 | 61,398 |
| 4. Expected UAAL Based on Prior Year Assumptions | 554,585 | 197,420 | 50,388 | 802,393 |
| 5. Percentage of Total Expected UAAL | 69.12% | 24.60% | 6.28% | 100.00% |
| 6. Actual UAAL Based on Prior Year Assumptions | | | | 925,405 |
| 7. Actual AAL Based on Prior Year Assumptions | \$ 2,510,760 | \$ 691,100 | \$ 203,816 | \$ 3,405,676 |
| 8. Allocated UAAL Based on Prior Year Assumptions | 639,606 | 227,686 | 58,113 | 925,405 |
| 9. Actuarial Value of Assets | \$ 1,871,154 | \$ 463,414 | \$ 145,703 | \$ 2,480,271 |

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San Mateo County Employees' Retirement Association

Section 4: Actuarial Liabilities



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, 2012. 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, 2012.

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 Board re-adopted the demographic assumptions with no changes at the May 2012 meeting. The economic assumptions, including an investment return assumption of 7.50%, were adopted at the May 2012 meeting for use in the June 30, 2012 actuarial valuation. 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, 2012 (Dollars in Thousands)

| Resources | | | | |
|---|---------------------|-------------------|-------------------|---------------------|
| | General | Safety | Probation | Total |
| Valuation Assets (Actuarial) | \$ 1,871,154 | \$ 463,414 | \$ 145,703 | \$ 2,480,271 |
| Present Value of Future Member Contributions | \$ 288,386 | \$ 53,431 | \$ 23,488 | \$ 365,305 |
| Present Value of Future Employer Contributions to Fund: | | | | |
| a) Normal Cost | \$ 265,544 | \$ 71,867 | \$ 44,016 | \$ 381,427 |
| b) Unfunded Actuarial Accrued Liability | \$ 666,247 | \$ 234,517 | \$ 61,518 | \$ 962,282 |
| Total Resources | \$ 3,091,331 | \$ 823,229 | \$ 274,725 | \$ 4,189,285 |

| Liabilities | | | | |
|------------------------------------|---------------------|-------------------|-------------------|---------------------|
| | General | Safety | Probation | Total |
| Present Value of Future Benefits | | | | |
| 1. Present Retired Members | \$ 1,319,816 | \$ 442,974 | \$ 92,030 | \$ 1,854,820 |
| 2. Current Inactive Members | 139,932 | 20,796 | 7,243 | 167,971 |
| 3. Current Active Members | | | | |
| - Service Retirement | 1,469,900 | 326,756 | 157,957 | 1,954,613 |
| - Disability Retirement | 57,423 | 16,505 | 8,554 | 82,482 |
| - Death Benefits | 24,066 | 6,826 | 3,378 | 34,270 |
| - Deferred Vested Benefit | 56,657 | 7,927 | 5,078 | 69,662 |
| - Refund of Member Contributions | 23,537 | 1,445 | 485 | 25,467 |
| - Total Active | 1,631,583 | 359,459 | 175,452 | 2,166,494 |
| Total Actuarial Liabilities | \$ 3,091,331 | \$ 823,229 | \$ 274,725 | \$ 4,189,285 |

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 basic member contribution rates are determined based upon requirements established in the '37 Act and the actuarial assumptions. Members may also make additional contributions as part of a cost sharing or COLA cost sharing arrangements. 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) | 2012 | 2011 | Percent Change |
|--|--------------|--------------|----------------|
| A. Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors | \$ 4,189 | \$ 3,994 | 4.9% |
| B. Actuarial present value of total future Normal Costs for current members | <u>747</u> | <u>747</u> | 0.0% |
| C. Actuarial accrued liability [A-B] | \$ 3,442 | \$ 3,247 | 6.0% |
| D. Valuation Assets | <u>2,480</u> | <u>2,405</u> | 3.1% |
| E. UAAL or Surplus Funding [C-D] | \$ 962 | \$ 842 | 14.3% |
| F. Funded Ratio [D/C] | 72.0% | 74.1% | (2.7)% |

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. Changes in the UAAL in years following June 30, 2008 are being 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, 2012.

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 2012 actuarial valuation reflects an increase in the UAAL of \$120.7 million for the fiscal year just ended.

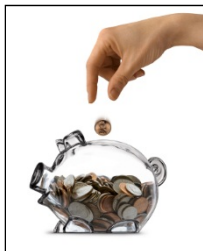
| | | |
|---|-----------|--------------|
| Unfunded Actuarial Accrued Liability - June 30, 2011 | \$ | 841.6 |
| Expected Increase / (Decrease) * | | (39.6) |
| Expected UAAL - June 30, 2012 | \$ | 802.0 |
| Asset (Gains) and Losses | | 171.3 |
| Retiree COLA Less than Expected | | (11.8) |
| Salary Increases Less than Expected | | (45.5) |
| Assumption Changes | | 36.4 |
| Other Liability (Gain)/Loss | | 9.9 |
| Total Changes | | 160.3 |
| Actual UAAL - June 30, 2012 | \$ | 962.3 |

* Based on actual contribution.

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San Mateo County Employees' Retirement Association

Section 5: Member Contributions



Basic Contributions

For *SamCERA*, member contributions are of three types: Basic contributions, Cost Sharing contributions, and COLA 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 th of FAC at age 55 |
| General Plan 5 | 31621 | 1/120 th of FAC at age 60 |
| Probation & Safety | 31639.25 | 1/100 th 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 basic member contribution rates were recalculated as of the June 30, 2012 valuation to reflect the investment return and wage growth assumptions adopted in the June 30, 2012 actuarial valuation. The rates are shown in Appendix D.

Cost-Sharing Contributions

In addition to the basic rate, Plan 1, 2 and 4 County employees, as well as Plan 5 Safety and Probation 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

Members of the California Nurses Association (except Plan 5 members) contribute 25% of the cost of COLA, in addition to all basic and cost-sharing rates applicable.

All members of General Plan 5 contribute 50% of the cost of COLA. Additionally, General members rehired on or after August 7, 2011 contribute 50% of the cost of COLA for their current Plan.

Members of Safety and Probation Plan 5 and 6 contribute 50% of the cost of COLA. Additionally, Probation members rehired on or after July 10, 2011 and Safety members rehired on or after January 8, 2012 contribute 50% of the cost of COLA for their current Plan.

Other current members do not contribute towards the COLA benefit.

COLA member rates are determined by calculating and applying a load factor to the basic member rates. COLA load factors are determined for each class and plan of member separately, as shown in the following table:

| Plan | COLA Share | COLA Load |
|------------------------------|------------|-----------|
| General 1 (County & Courts)* | 50% | 41.75% |
| General 2 (County & Courts)* | 50% | 32.79% |
| General 4 (County & Courts)* | 50% | 22.36% |
| General 1 (CNA) | 25% | 20.87% |
| General 2 (CNA) | 25% | 16.40% |
| General 4 (CNA) | 25% | 11.18% |
| General 5 | 50% | 21.30% |
| Safety 1* | 50% | 62.54% |
| Safety 2* | 50% | 50.00% |
| Safety 4* | 50% | 32.81% |
| Safety 5 | 50% | 30.07% |
| Safety 6 | 50% | 26.88% |
| Probation 1* | 50% | 62.57% |
| Probation 2* | 50% | 62.57% |
| Probation 4* | 50% | 40.78% |
| Probation 5 | 50% | 37.02% |
| Probation 6 | 50% | 33.36% |

* Only applicable in cases where member rehires or transfers (if eligible).

Example: A member who enters General Plan 5 at age 35 has a basic member contribution rate of 6.14% (Exhibit 10). The General Plan 5 COLA load is 21.30% for a member COLA contribution of 1.31% (6.14% x 21.30%) of pay. The basic plus COLA member contribution rate is 7.45% (6.14% + 1.31%).

Member Contribution Rates

A sample of the current member contribution rates (basic plus cost sharing and COLA 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 each of the basic, the basic plus cost sharing, and the basic plus cost sharing plus COLA cost sharing, can be found in Appendix D.

San Mateo County Employees' Retirement Association

Exhibit 10: Sample Member Contribution Rates Effective July 1, 2013

| |
|--|
| Recommendation #2: Adopt new member contribution rates for fiscal year beginning July 1, 2013 |
|--|

| | Entry Age | Recommended Rates | | | Total as a % of Pay | Current | Ratio (New/Curr) |
|--|-----------|-------------------|-------------------|--------------|---------------------|---------------------|------------------|
| | | Basic | COLA Cost Sharing | Cost Sharing | | Total as a % of Pay | |
| General Members - County & Courts⁽¹⁾⁽²⁾ | | | | | | | |
| Plans 1 & 2 | 25 | 6.19% | N/A | 3.00% | 9.19% | 9.06% | 101.4% |
| | 35 | 7.42% | N/A | 3.00% | 10.42% | 10.25% | 101.7% |
| | 45 | 8.91% | N/A | 3.00% | 11.91% | 11.71% | 101.7% |
| Plan 4 | 25 | 5.94% | N/A | 3.00% | 8.94% | 8.80% | 101.6% |
| | 35 | 7.12% | N/A | 3.00% | 10.12% | 9.94% | 101.8% |
| | 45 | 8.51% | N/A | 3.00% | 11.51% | 11.29% | 101.9% |
| Plan 5 | 25 | 5.12% | 1.09% | 0.00% | 6.21% | 6.10% | 101.8% |
| | 35 | 6.14% | 1.31% | 0.00% | 7.45% | 7.30% | 102.0% |
| | 45 | 7.37% | 1.57% | 0.00% | 8.94% | 8.76% | 102.1% |
| General Members - SMCM&VCD | | | | | | | |
| Plans 1 & 2 | 25 | 6.19% | N/A | 0.00% | 6.19% | 6.06% | 102.1% |
| | 35 | 7.42% | N/A | 0.00% | 7.42% | 7.25% | 102.3% |
| | 45 | 8.91% | N/A | 0.00% | 8.91% | 8.71% | 102.3% |
| Plan 4 | 25 | 5.94% | N/A | 0.00% | 5.94% | 5.80% | 102.4% |
| | 35 | 7.12% | N/A | 0.00% | 7.12% | 6.94% | 102.6% |
| | 45 | 8.51% | N/A | 0.00% | 8.51% | 8.29% | 102.7% |
| Probation Members (Reflects Employer Pick-up)⁽²⁾ | | | | | | | |
| Plans 1 & 2 | 25 | 6.73% | N/A | 3.50% | 10.23% | 10.07% | 101.6% |
| | 35 | 8.08% | N/A | 3.50% | 11.58% | 11.38% | 101.8% |
| | 45 | 9.51% | N/A | 3.50% | 13.01% | 12.77% | 101.9% |
| Plan 4 | 25 | 6.46% | N/A | 3.50% | 9.96% | 9.79% | 101.7% |
| | 35 | 7.75% | N/A | 3.50% | 11.25% | 11.04% | 101.9% |
| | 45 | 8.96% | N/A | 3.50% | 12.46% | 12.22% | 102.0% |
| Plan 5 | 25 | 6.46% | 2.39% | 3.50% | 12.35% | 12.16% | 101.6% |
| | 35 | 7.75% | 2.87% | 3.50% | 14.12% | 13.88% | 101.7% |
| | 45 | 8.96% | 3.32% | 3.50% | 15.78% | 15.51% | 101.7% |
| Plan 6 | 25 | 6.46% | 2.16% | 0.00% | 8.62% | 8.38% | 102.8% |
| | 35 | 7.75% | 2.59% | 0.00% | 10.34% | 10.04% | 102.9% |
| | 45 | 8.96% | 2.99% | 0.00% | 11.95% | 11.61% | 102.9% |
| Safety Members - Other than Deputy Sheriff⁽²⁾⁽³⁾ | | | | | | | |
| Plans 1 & 2 | 25 | 8.41% | N/A | 5.00% | 13.41% | 13.21% | 101.5% |
| | 35 | 10.09% | N/A | 5.00% | 15.09% | 14.85% | 101.6% |
| | 45 | 11.89% | N/A | 5.00% | 16.89% | 16.59% | 101.8% |
| Plan 4 | 25 | 8.07% | N/A | 5.00% | 13.07% | 12.86% | 101.6% |
| | 35 | 9.68% | N/A | 5.00% | 14.68% | 14.43% | 101.7% |
| | 45 | 11.20% | N/A | 5.00% | 16.20% | 15.90% | 101.9% |
| Plan 5 | 25 | 8.07% | 2.43% | 4.00% | 14.50% | 14.26% | 101.7% |
| | 35 | 9.68% | 2.91% | 4.00% | 16.59% | 16.31% | 101.7% |
| | 45 | 11.20% | 3.37% | 4.00% | 18.57% | 18.22% | 101.9% |
| Plan 6 | 25 | 8.07% | 2.17% | 0.00% | 10.24% | 9.97% | 102.7% |
| | 35 | 9.68% | 2.60% | 0.00% | 12.28% | 11.96% | 102.7% |
| | 45 | 11.20% | 3.01% | 0.00% | 14.21% | 13.83% | 102.8% |

- (1) Does not include Plan 1, 2, or 4 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) Does not include COLA sharing for rehires for Plans 1, 2, and 4 on or after August 7, 2011 (General County & Courts), on or after July 10, 2011 (Probation), on or after January 8, 2012 (Safety).
- (3) 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.

San Mateo County Employees' Retirement Association

Section 6: Employer Contributions



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 11 through 11f 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 11 through 11f. These results are expressed as a percentage of payroll. 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 30.97% for the fiscal year beginning July 1, 2012. For the fiscal year beginning in 2013, the calculated rate based on this report increased to 35.49%. This is equal to the aggregate Employer Normal Cost contribution rate of 11.52% based on Milliman’s 2012 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 | 11.52% |
| Total Amortization of UAAL | <u>23.97%</u> |
| Total Employer Contribution | 35.49% |

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 2012 valuation is paid over the remaining 14 years and is effective July 1, 2013.

Exhibit 12 shows detailed 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 5 and 6, instead of the slightly more expensive previous plans. However, the change will be fairly gradual.
- 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 are 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.

Additionally, this year the Normal Cost changed due to the adoption of the new economic assumptions with the June 30, 2012 actuarial valuation.

San Mateo County Employees' Retirement Association

Exhibit 11: Calculated Employer Normal Cost Contribution Rates – June 30, 2012

| | General - County (excl. CNA and Court members) | General - CNA members ** | General - Courts members | General - SMCM&VCD members *** | Safety | Probation | Grand Total |
|---|--|--------------------------------|--------------------------------|--------------------------------------|-----------------|-----------------|-----------------|
| | <u>Total</u> | <u>Total</u> | <u>Total</u> | <u>Total</u> | <u>Total</u> | <u>Total</u> | <u>Total</u> |
| A. <u>Gross Normal Cost</u> | | | | | | | |
| Service Retirement | 15.91% | 15.91% | 15.91% | 15.84% | 27.42% | 25.86% | 17.80% |
| Disability Retirement | 0.97% | 0.97% | 0.97% | 0.24% | 2.20% | 1.97% | 1.19% |
| Death while Active | 0.31% | 0.31% | 0.31% | 0.33% | 0.93% | 0.86% | 0.42% |
| Termination (No Refund) | 1.26% | 1.26% | 1.26% | 1.22% | 1.25% | 1.34% | 1.26% |
| Refund of Member Contributions | 1.54% | 1.54% | 1.54% | 1.06% | 0.70% | 0.56% | 1.38% |
| Total | 19.99% | 19.99% | 19.99% | 18.69% | 32.50% | 30.59% | 22.04% |
| B. Member Contributions | (10.01)% | (11.03)% | (10.01)% | (7.01)% | (13.45)% | (10.60)% | (10.52)% |
| C. Employer Normal Cost Rate (A) - (B) | 9.98% | 8.96% | 9.98% | 11.68% | 19.05% | 19.99% | 11.52% |
| D. <u>Total Employer Contribution Rate</u> | | | | | | | |
| Basic Normal Cost | 6.26% | 5.62% | 6.26% | 8.26% | 12.06% | 13.48% | 7.35% |
| COLA Normal Cost | 3.72% | 3.34% | 3.72% | 3.42% | 6.99% | 6.51% | 4.17% |
| Employer Normal Cost Rate | 9.98% | 8.96% | 9.98% | 11.68% | 19.05% | 19.99% | 11.52% |
| UAAL Contribution Rate | 20.17% | 20.17% | 20.17% | 20.17% | 48.51% | 26.71% | 23.97% |
| Total Employer Contribution Rate | 30.15% | 29.13% | 30.15% | 31.85% | 67.56% | 46.70% | 35.49% |
| E. Total Employer Contribution Rate (prior year)* | 26.12% | 25.11% | 26.12% | 28.38% | 59.13% | 41.14% | 30.97% |
| F. Change in Total Employer Contribution Rate as a percentage of payroll (D) - (E) | 4.03% | 4.02% | 4.03% | 3.47% | 8.43% | 5.56% | 4.52% |

* Prior year rates shown are those calculated in the June 30, 2011 actuarial valuation. The County elected to contribute higher rates than those shown.

** General County members of Plans 1, 2, or 4 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.

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

San Mateo County Employees' Retirement Association

Exhibit 11a: Calculated Employer Normal Cost Contribution Rates – June 30, 2012 (continued)

| | <u>General - County (excl. CNA and Court members)</u> | | | | | |
|---|---|---------------|---------------|---------------|---------------|---------------|
| | <u>Plan 1</u> | <u>Plan 2</u> | <u>Plan 3</u> | <u>Plan 4</u> | <u>Plan 5</u> | <u>Total</u> |
| A. <u>Gross Normal Cost</u> | | | | | | |
| Service Retirement | 16.50% | 16.76% | 7.44% | 16.07% | 13.88% | 15.91% |
| Disability Retirement | 0.83% | 0.92% | 0.00% | 1.04% | 1.10% | 0.97% |
| Death while Active | 0.29% | 0.32% | 0.00% | 0.32% | 0.29% | 0.31% |
| Termination (No Refund) | 1.38% | 1.32% | 0.50% | 1.26% | 0.95% | 1.26% |
| Refund of Member Contributions | 1.56% | 1.56% | 0.00% | 1.59% | 1.28% | 1.54% |
| Total | 20.56% | 20.88% | 7.94% | 20.28% | 17.50% | 19.99% |
| B. Member Contributions | (9.81)% | (10.23)% | 0.00% | (10.44)% | (8.15)% | (10.01)% |
| C. Employer Normal Cost Rate (A) - (B) | 10.75% | 10.65% | 7.94% | 9.84% | 9.35% | 9.98% |
| D. <u>Total Employer Contribution Rate</u> | | | | | | |
| Basic Normal Cost | 4.86% | 5.68% | 7.94% | 6.41% | 6.51% | 6.26% |
| COLA Normal Cost | 5.89% | 4.97% | 0.00% | 3.43% | 2.84% | 3.72% |
| Employer Normal Cost Rate | 10.75% | 10.65% | 7.94% | 9.84% | 9.35% | 9.98% |
| UAAL Contribution Rate | 20.17% | 20.17% | 20.17% | 20.17% | 20.17% | 20.17% |
| Total Employer Contribution Rate | 30.92% | 30.82% | 28.11% | 30.01% | 29.52% | 30.15% |
| E. Total Employer Contribution Rate (prior year)* | 26.96% | 26.79% | 24.10% | 25.94% | 25.11% | 26.12% |
| F. Change in Total Employer Contribution Rate as a percentage of payroll (D) - (E) | 3.96% | 4.03% | 4.01% | 4.07% | 4.41% | 4.03% |

* Prior year rates shown are those calculated in the June 30, 2011 actuarial valuation. The County elected to contribute higher rates than those shown.

San Mateo County Employees' Retirement Association

Exhibit 11b: Calculated Employer Normal Cost Contribution Rates – June 30, 2012 (continued)

| | General - CNA members * | | | | | |
|---|-------------------------|-----------------|---------------|-----------------|----------------|-----------------|
| | Plan 1 | Plan 2 | Plan 3 | Plan 4 | Plan 5 | Total |
| A. <u>Gross Normal Cost</u> | | | | | | |
| Service Retirement | 16.50% | 16.76% | 7.44% | 16.07% | 13.88% | 15.91% |
| Disability Retirement | 0.83% | 0.92% | 0.00% | 1.04% | 1.10% | 0.97% |
| Death while Active | 0.29% | 0.32% | 0.00% | 0.32% | 0.29% | 0.31% |
| Termination (No Refund) | 1.38% | 1.32% | 0.50% | 1.26% | 0.95% | 1.26% |
| Refund of Member Contributions | 1.56% | 1.56% | 0.00% | 1.59% | 1.28% | 1.54% |
| Total | 20.56% | 20.88% | 7.94% | 20.28% | 17.50% | 19.99% |
| B. Member Contributions | (11.24)% | (11.42)% | 0.00% | (11.27)% | (8.15)% | (11.03)% |
| C. Employer Normal Cost Rate (A) - (B) | 9.32% | 9.46% | 7.94% | 9.01% | 9.35% | 8.96% |
| D. <u>Total Employer Contribution Rate</u> | | | | | | |
| Basic Normal Cost | 4.21% | 5.05% | 7.94% | 5.87% | 6.51% | 5.62% |
| COLA Normal Cost | 5.11% | 4.41% | 0.00% | 3.14% | 2.84% | 3.34% |
| Employer Normal Cost Rate | 9.32% | 9.46% | 7.94% | 9.01% | 9.35% | 8.96% |
| UAAL Contribution Rate | 20.17% | 20.17% | 20.17% | 20.17% | 20.17% | 20.17% |
| Total Employer Contribution Rate | 29.49% | 29.63% | 28.11% | 29.18% | 29.52% | 29.13% |
| E. Total Employer Contribution Rate (prior year)** | 25.52% | 25.61% | 24.10% | 25.10% | 25.11% | 25.11% |
| F. Change in Total Employer Contribution Rate as a percentage of payroll (D) - (E) | 3.97% | 4.02% | 4.01% | 4.08% | 4.41% | 4.02% |

* General County members of Plans 1, 2, or 4 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 all General members.

** Prior year rates shown are those calculated in the June 30, 2011 actuarial valuation. The County elected to contribute higher rates than those show.

San Mateo County Employees' Retirement Association

Exhibit 11c: Calculated Employer Normal Cost Contribution Rates – June 30, 2012 (continued)

| | General - Courts members | | | | | |
|---|--------------------------|---------------|---------------|---------------|---------------|---------------|
| | Plan 1 | Plan 2 | Plan 3 | Plan 4 | Plan 5 | Total |
| A. <u>Gross Normal Cost</u> | | | | | | |
| Service Retirement | 16.50% | 16.76% | 7.44% | 16.07% | 13.88% | 15.91% |
| Disability Retirement | 0.83% | 0.92% | 0.00% | 1.04% | 1.10% | 0.97% |
| Death while Active | 0.29% | 0.32% | 0.00% | 0.32% | 0.29% | 0.31% |
| Termination (No Refund) | 1.38% | 1.32% | 0.50% | 1.26% | 0.95% | 1.26% |
| Refund of Member Contributions | 1.56% | 1.56% | 0.00% | 1.59% | 1.28% | 1.54% |
| Total | 20.56% | 20.88% | 7.94% | 20.28% | 17.50% | 19.99% |
| B. Member Contributions | (9.81)% | (10.23)% | 0.00% | (10.44)% | (8.15)% | (10.01)% |
| C. Employer Normal Cost Rate (A) - (B) | 10.75% | 10.65% | 7.94% | 9.84% | 9.35% | 9.98% |
| D. <u>Total Employer Contribution Rate</u> | | | | | | |
| Basic Normal Cost | 4.86% | 5.68% | 7.94% | 6.41% | 6.51% | 6.26% |
| COLA Normal Cost | 5.89% | 4.97% | 0.00% | 3.43% | 2.84% | 3.72% |
| Employer Normal Cost Rate | 10.75% | 10.65% | 7.94% | 9.84% | 9.35% | 9.98% |
| UAAL Contribution Rate | 20.17% | 20.17% | 20.17% | 20.17% | 20.17% | 20.17% |
| Total Employer Contribution Rate | 30.92% | 30.82% | 28.11% | 30.01% | 29.52% | 30.15% |
| E. Total Employer Contribution Rate (prior year)* | 26.96% | 26.79% | 24.10% | 25.94% | 25.11% | 26.12% |
| F. Change in Total Employer Contribution Rate as a percentage of payroll (D) - (E) | 3.96% | 4.03% | 4.01% | 4.07% | 4.41% | 4.03% |

* Prior year rates shown are those calculated in the June 30, 2011 actuarial valuation. The County elected to contribute higher rates than those shown.

San Mateo County Employees' Retirement Association

Exhibit 11d: Calculated Employer Normal Cost Contribution Rates – June 30, 2012 (continued)

| | <u>General - SMCM&VCD members *</u> | | | |
|---|---|---------------|---------------|---------------|
| | <u>Plan 1**</u> | <u>Plan 2</u> | <u>Plan 4</u> | <u>Total</u> |
| A. <u>Gross Normal Cost</u> | | | | |
| Service Retirement | 0.00% | 22.37% | 14.24% | 15.84% |
| Disability Retirement | 0.00% | 1.23% | 0.87% | 0.24% |
| Death while Active | 0.00% | 0.48% | 0.31% | 0.33% |
| Termination (No Refund) | 0.00% | 1.16% | 1.23% | 1.22% |
| Refund of Member Contributions | 0.00% | 1.23% | 1.04% | 1.06% |
| Total | 0.00% | 26.47% | 17.69% | 18.69% |
| B. Member Contributions | 0.00% | (8.77)% | (6.79)% | (7.01)% |
| C. Employer Normal Cost Rate (A) - (B) | 0.00% | 17.70% | 10.90% | 11.68% |
| D. <u>Total Employer Contribution Rate</u> | | | | |
| Basic Normal Cost | 0.00% | 11.46% | 7.85% | 8.26% |
| COLA Normal Cost | 0.00% | 6.24% | 3.05% | 3.42% |
| Employer Normal Cost Rate | 0.00% | 17.70% | 10.90% | 11.68% |
| UAAL Contribution Rate | 0.00% | 20.17% | 20.17% | 20.17% |
| Total Employer Contribution Rate | 0.00% | 37.87% | 31.07% | 31.85% |
| E. Total Employer Contribution Rate (prior year)*** | 33.34% | 33.87% | 27.30% | 28.38% |
| F. Change in Total Employer Contribution Rate as a percentage of payroll (D) - (E) | (33.34)% | 4.00% | 3.77% | 3.47% |

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

** There are no longer any active members of Plan 1 for this group.

*** Prior year rates shown are those calculated in the June 30, 2011 actuarial valuation. The County elected to contribute higher rates than those shown.

San Mateo County Employees' Retirement Association

Exhibit 11e: Calculated Employer Normal Cost Contribution Rates – June 30, 2012 (continued)

| | <u>Safety</u> | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|
| | <u>Plan 1</u> | <u>Plan 2</u> | <u>Plan 4</u> | <u>Plan 5</u> | <u>Plan 6*</u> | <u>Total</u> |
| A. <u>Gross Normal Cost</u> | | | | | | |
| Service Retirement | 32.71% | 28.39% | 26.67% | 27.30% | N/A | 27.42% |
| Disability Retirement | 2.00% | 2.02% | 2.39% | 2.87% | N/A | 2.20% |
| Death while Active | 1.02% | 1.02% | 0.94% | 0.94% | N/A | 0.93% |
| Termination (No Refund) | 1.21% | 1.35% | 1.27% | 0.87% | N/A | 1.25% |
| Refund of Member Contributions | 0.73% | 0.64% | 0.75% | 1.02% | N/A | 0.70% |
| Total | 37.67% | 33.42% | 32.02% | 33.00% | N/A | 32.50% |
| B. Member Contributions | (10.98)% | (13.34)% | (13.37)% | (16.52)% | N/A | (13.45)% |
| C. Employer Normal Cost Rate (A) - (B) | 26.69% | 20.08% | 18.65% | 16.48% | 15.98% | 19.05% |
| D. <u>Total Employer Contribution Rate</u> | | | | | | |
| Basic Normal Cost | 14.45% | 11.14% | 12.52% | 10.35% | N/A | 12.06% |
| COLA Normal Cost | 12.24% | 8.94% | 6.13% | 6.13% | N/A | 6.99% |
| Employer Normal Cost Rate | 26.69% | 20.08% | 18.65% | 16.48% | 15.98% | 19.05% |
| UAAL Contribution Rate | 48.51% | 48.51% | 48.51% | 48.51% | 48.51% | 48.51% |
| Total Employer Contribution Rate | 75.20% | 68.59% | 67.16% | 64.99% | 64.49% | 67.56% |
| E. Total Employer Contribution Rate (prior year) | 67.85% | 59.99% | 58.62% | 55.37% | 54.91% | 59.13% |
| F. Change in Total Employer Contribution Rate as a percentage of payroll (D) - (E) | 7.35% | 8.60% | 8.54% | 9.62% | 9.58% | 8.43% |

*Safety Plan 6 had no active members as of the valuation date. Therefore, detailed breakout of Normal Cost was not available. The Normal Cost shown is based on our previous estimate for Safety Plan 6 with an adjustment for the change in economic assumptions.

San Mateo County Employees' Retirement Association

Exhibit 11f: Calculated Employer Normal Cost Contribution Rates – June 30, 2012 (continued)

| | Probation | | | | | |
|---|----------------|-----------------|-----------------|-----------------|----------------|-----------------|
| | Plan 1 * | Plan 2 | Plan 4 | Plan 5 | Plan 6 | Total |
| A. <u>Gross Normal Cost</u> | | | | | | |
| Service Retirement | 28.90% | 28.20% | 25.05% | 23.39% | 21.33% | 25.86% |
| Disability Retirement | 1.81% | 1.99% | 1.99% | 2.13% | 2.14% | 1.97% |
| Death while Active | 1.05% | 0.91% | 0.86% | 0.96% | 1.00% | 0.86% |
| Termination (No Refund) | 1.45% | 1.37% | 1.35% | 1.17% | 1.01% | 1.34% |
| Refund of Member Contributions | 0.49% | 0.54% | 0.57% | 0.73% | 0.54% | 0.56% |
| Total | 33.70% | 33.01% | 29.82% | 28.38% | 26.02% | 30.59% |
| B. Member Contributions | (3.50)% | (10.53)% | (10.60)% | (13.46)% | (9.98)% | (10.60)% |
| C. Employer Normal Cost Rate (A) - (B) | 30.20% | 22.48% | 19.22% | 14.92% | 16.04% | 19.99% |
| D. <u>Total Employer Contribution Rate</u> | | | | | | |
| Basic Normal Cost | 14.59% | 13.66% | 13.45% | 9.54% | 11.05% | 13.48% |
| COLA Normal Cost | 15.61% | 8.82% | 5.77% | 5.38% | 4.99% | 6.51% |
| Employer Normal Cost Rate | 30.20% | 22.48% | 19.22% | 14.92% | 16.04% | 19.99% |
| UAAL Contribution Rate | 26.71% | 26.71% | 26.71% | 26.71% | 26.71% | 26.71% |
| Total Employer Contribution Rate | 56.91% | 49.19% | 45.93% | 41.63% | 42.75% | 46.70% |
| E. Total Employer Contribution Rate (prior year) | 51.11% | 43.19% | 40.42% | 35.59% | 36.07% | 41.14% |
| F. Change in Total Employer Contribution Rate as a percentage of payroll (D) - (E) | 5.80% | 6.00% | 5.51% | 6.04% | 6.68% | 5.56% |

* Only one active member remains in Probation Plan 1. The member is 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, with an adjustment for changes in assumptions. 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 12: Supplemental Detail on UAAL Payments (Dollars in Thousands)

| General | | | | | | | |
|--|----------------------------|-----------------------------|---------------------|---|--|--------------------------------------|-----------------------------------|
| Date Established | Description ⁽⁴⁾ | Balance as of June 30, 2012 | Interest on Balance | Amort. Payment on June 30, 2013 ¹ | Balance as of June 30, 2013 ² | Remaining Period as of June 30, 2013 | July 1, 2013 Amortization Payment |
| June 30, 2008 | Initial UAAL | \$ 368,951 | \$ 27,671 | \$ 42,791 | \$ 353,832 | 10 Years | \$ 42,098 |
| June 30, 2009 | (Gain) / Loss | \$ 352,778 | \$ 26,458 | \$ 38,131 | \$ 341,105 | 11 Years | \$ 37,514 |
| June 30, 2010 | (Gain) / Loss | \$ (129,979) | \$ (9,748) | \$ (13,183) | \$ (126,544) | 12 Years | \$ (12,970) |
| June 30, 2011 | (Gain) / Loss | \$ (38,719) | \$ (2,904) | \$ (3,707) | \$ (37,916) | 13 Years | \$ (3,647) |
| June 30, 2012 | (Gain) / Loss | \$ 113,216 | \$ 8,491 | \$ 4,741 ³ | \$ 116,966 | 14 Years | \$ 10,618 |
| Total Amortization Payment July 1, 2013: | | | | | | | \$ 73,613 |
| Projected Payroll July 1, 2013: | | | | | | | \$ 364,939 |
| UAAL as of June 30, 2012: | | \$ 666,247 | | UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2013: | | | 20.17% |

| Safety | | | | | | | |
|--|----------------------------|-----------------------------|---------------------|---|--|--------------------------------------|-----------------------------------|
| Date Established | Description ⁽⁴⁾ | Balance as of June 30, 2012 | Interest on Balance | Amort. Payment on June 30, 2013 ¹ | Balance as of June 30, 2013 ² | Remaining Period as of June 30, 2013 | July 1, 2013 Amortization Payment |
| June 30, 2008 | Initial UAAL | \$ 134,637 | \$ 10,098 | \$ 15,615 | \$ 129,120 | 10 Years | \$ 15,362 |
| June 30, 2009 | (Gain) / Loss | \$ 129,379 | \$ 9,703 | \$ 13,985 | \$ 125,097 | 11 Years | \$ 13,758 |
| June 30, 2010 | (Gain) / Loss | \$ (48,620) | \$ (3,647) | \$ (4,931) | \$ (47,336) | 12 Years | \$ (4,851) |
| June 30, 2011 | (Gain) / Loss | \$ (17,957) | \$ (1,347) | \$ (1,719) | \$ (17,585) | 13 Years | \$ (1,691) |
| June 30, 2012 | (Gain) / Loss | \$ 37,078 | \$ 2,781 | \$ 5,083 ³ | \$ 34,776 | 14 Years | \$ 3,157 |
| Total Amortization Payment July 1, 2013: | | | | | | | \$ 25,735 |
| Projected Payroll July 1, 2013: | | | | | | | \$ 53,046 |
| UAAL as of June 30, 2012: | | \$ 234,517 | | UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2013: | | | 48.51% |

| Probation | | | | | | | |
|--|----------------------------|-----------------------------|---------------------|---|--|--------------------------------------|-----------------------------------|
| Date Established | Description ⁽⁴⁾ | Balance as of June 30, 2012 | Interest on Balance | Amort. Payment on June 30, 2013 ¹ | Balance as of June 30, 2013 ² | Remaining Period as of June 30, 2013 | July 1, 2013 Amortization Payment |
| June 30, 2008 | Initial UAAL | \$ 33,732 | \$ 2,530 | \$ 3,912 | \$ 32,350 | 10 Years | \$ 3,849 |
| June 30, 2009 | (Gain) / Loss | \$ 32,564 | \$ 2,442 | \$ 3,520 | \$ 31,486 | 11 Years | \$ 3,463 |
| June 30, 2010 | (Gain) / Loss | \$ (11,866) | \$ (890) | \$ (1,203) | \$ (11,553) | 12 Years | \$ (1,184) |
| June 30, 2011 | (Gain) / Loss | \$ (4,120) | \$ (309) | \$ (394) | \$ (4,034) | 13 Years | \$ (388) |
| June 30, 2012 | (Gain) / Loss | \$ 11,207 | \$ 841 | \$ 321 ³ | \$ 11,727 | 14 Years | \$ 1,065 |
| Total Amortization Payment July 1, 2013: | | | | | | | \$ 6,805 |
| Projected Payroll July 1, 2013: | | | | | | | \$ 25,475 |
| UAAL as of June 30, 2012: | | \$ 61,518 | | UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2013: | | | 26.71% |

Explanatory Notes:

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

² The calculation of assets and liabilities used in the calculation of UAAL are as of June 30, 2012; whereas, the contribution rates are not effective until July 1, 2013. Therefore, the UAAL is adjusted to June 30, 2013 in the calculation of contribution rates.

³ The 15-year amortization of UAAL does not begin until July 1, 2013; however, the UAAL amount is adjusted based on the July 1, 2012 contribution rate.

⁴ (Gain)/Loss includes new assumptions adopted effective June 30, 2011 based on the Investigation of Experience report, and new economic assumptions effective June 30, 2012.

San Mateo County Employees' Retirement Association

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



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).

It should be noted that GASB recently adopted Statements 67 and 68 dealing with accounting disclosure for public retirement systems. These new standards will have a material impact on pension accounting. The effective date for GASB Statement No. 67 is for periods beginning after June 15, 2013 and the effective date for GASB Statement No. 68 is for periods beginning after June 15, 2014.

**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.
- Exhibits 24a and 24b – 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, 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% |
| June 30, 2012 | 2,480,271 | 3,442,553 | 962,282 | 72.0% | 419,779 | 229.24% |

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



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**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 |
|------------------------|--|----------------------------------|-------------------------------------|
| 6/30/2003 | 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% |
| 6/30/2012 | 150,950 | 150,950 | 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 ⁽¹⁾ | Valuation Assets | Actuarial Accrued Liabilities for | | | Portion of Actuarial Accrued Liabilities Covered by Assets | | |
|--|---------------------|---------------------------------------|---|--|--|------|-----|
| | | Active Member Contributions (A) | Retirees and Beneficiaries ⁽²⁾ (B) | Active Members (Employer Financed Portion) (C) | (A) | (B) | (C) |
| 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% |
| June 30, 2012 | 2,480,271 | 498,569 | 2,022,791 | 921,193 | 100% | 98% | 0% |

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

(2) Includes deferred vested.



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San Mateo County Employees' Retirement Association

Exhibit 16: History of Calculated Employer Contribution Rates⁽⁴⁾ (Dollars In Thousands)

| County Rates ⁽¹⁾⁽⁴⁾ | | | | | | | | | | | | |
|--------------------------------|--|--------|--------|--|--------|--------|---------------|--------|--------|------------------|--------|--------|
| Valuation Year | General County & Court Members (excluding Nurses) | | | General Member (Nurses) ⁽³⁾ | | | Safety Member | | | Probation Member | | |
| | Normal | UAAL | Total | Normal | UAAL | Total | Normal | UAAL | Total | Normal | UAAL | Total |
| 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% |
| 2012 | 9.98% | 20.17% | 30.15% | 8.96% | 20.17% | 29.13% | 19.05% | 48.51% | 67.56% | 19.99% | 26.68% | 46.67% |

| Rates for Mosquito and Vector Control District ⁽²⁾ | | | |
|---|----------------|--------|--------|
| 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 | 11.97% | 16.41% | 28.38% |
| 2012 | 11.68% | 20.17% | 31.85% |

- (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, Plan 1, 2, and 4 members of the California Nurses Association contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.
- (4) Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.

**San Mateo County Employees'
Retirement Association**

Exhibit 17: Actuarial Analysis of Financial Experience

| <u>Summary of (Gains) / Losses</u> | <u>Change In Liability</u> | | | | |
|--|----------------------------|----------------|------------------|------------------|----------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Unfunded Liability as of July 1 | \$ 841,587,000 | \$ 919,377,000 | \$ 1,078,033,000 | \$ 587,285,000 | \$ 578,773,000 |
| Expected Change in UAAL | (39,621,000) | (31,508,000) | 27,388,000 | (11,786,000) | (31,649,000) |
| Salary (Gain) / Loss | (45,526,000) | (51,831,000) | (43,598,000) | (10,081,000) | (19,946,000) |
| Fewer Withdrawals than expected | 0 | 0 | 0 | 0 | 0 |
| Retiree COLA more / (less) than expected | (11,756,000) | (27,561,000) | (41,258,000) | 1,080,000 | 937,000 |
| Asset (Gain) / Loss | 171,268,000 | 12,548,000 | (88,485,000) | 522,444,000 | (20,078,000) |
| Change due to Assumption Changes | 36,443,000 | 19,402,000 | 0 | 0 | 61,011,000 |
| Miscellaneous Experience | 9,887,000 | 1,160,000 | (12,703,000) | (10,909,000) | 18,237,000 |
| Unfunded Liability as of June 30 | \$ 962,282,000 | \$ 841,587,000 | \$ 919,377,000 | \$ 1,078,033,000 | \$ 587,285,000 |



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San Mateo County Employees' Retirement Association

Exhibit 18: Summary of Significant Actuarial Statistics and Measures

| | June 30th of | | Relative Change |
|--|--------------|--------------|--------------------|
| | 2012 | 2011 | |
| I. Active Members | | | |
| Number of Members | 5,095 | 5,245 | (2.9)% |
| Average Age | 46.0 | 45.7 | 0.7% |
| Average Credited Service | 10.9 | 10.6 | 2.8% |
| Total Active Payroll (\$thousands) | \$ 427,650 | \$ 432,542 | (1.1)% |
| Average Monthly Salary | \$ 6,995 | \$ 6,872 | 1.8% |
| II. Retired Members | | | |
| Number of Members | | | |
| Service Retirement | 3,355 | 3,242 | 3.5 % |
| Disability Retirement | 374 | 370 | 1.1 % |
| Beneficiaries | 546 | 535 | 2.1 % |
| Average Age | 71.2 | 71.3 | (0.1)% |
| Actual Retiree Benefits Paid (\$thousands) | \$ 139,208 | \$ 129,835 | 7.2 % |
| Average Monthly Pension | \$ 2,823 | \$ 2,706 | 4.3% |
| III. Inactive Vested Members | | | |
| | 1,212 | 1,190 | 1.8 % |
| IV. Assets | | | |
| Market Value of Fund (\$thousands) | \$ 2,360,304 | \$ 2,317,776 | 1.8% |
| Return on Market Value | -0.4% | 23.7% | |
| Valuation Assets (\$thousands) | \$ 2,480,271 | \$ 2,405,140 | 3.1% |
| Return on Valuation Assets | 0.7% | 7.2% | |
| V. Liability Values (\$thousands) | | | |
| Actuarial Accrued Liability | \$ 3,442,553 | \$ 3,246,727 | 6.0% |
| Unfunded Actuarial Accrued Liability | \$ 962,282 | \$ 841,587 | 14.3% |
| Deferred Asset (Gains) / Losses | \$ 119,967 | \$ 87,363 | |
| VI. Funded Ratio | | | |
| GASB 25 (based on valuation assets) | 72.0% | 74.1% | (2.7)% |

San Mateo County Employees' Retirement Association

Exhibit 19: Summary of SamCERA Membership

| Plan | One | Two | Three | Four | Five | Six | Total |
|--|--------------|--------------|------------|--------------|------------|----------|---------------|
| Retirees and beneficiaries currently receiving benefits: | | | | | | | |
| General | 1,910 | 1,489 | 110 | 210 | - | - | 3,719 |
| Safety | 285 | 126 | - | 17 | - | - | 428 |
| Probation | 72 | 46 | - | 10 | - | - | 128 |
| Subtotal | 2,267 | 1,661 | 110 | 237 | - | - | 4,275 |
| Terminated employees entitled to but not currently receiving benefits (Deferred): | | | | | | | |
| General | 26 | 449 | 117 | 508 | - | - | 1,100 |
| Safety | 1 | 30 | - | 36 | - | - | 67 |
| Probation | - | 20 | - | 25 | - | - | 45 |
| Subtotal | 27 | 499 | 117 | 569 | - | - | 1,212 |
| Current employees: | | | | | | | |
| Vested: | | | | | | | |
| General | 49 | 994 | 72 | 2,207 | - | - | 3,322 |
| Safety | 4 | 114 | - | 219 | - | - | 337 |
| Probation | 1 | 70 | - | 202 | - | - | 273 |
| Non-Vested: | | | | | | | |
| General | - | 1 | 67 | 817 | 154 | - | 1,039 |
| Safety | - | - | - | 84 | 14 | - | 98 |
| Probation | - | - | - | 22 | 3 | 1 | 26 |
| Subtotal | 54 | 1,179 | 139 | 3,551 | 171 | 1 | 5,095 |
| Total SamCERA Membership | 2,348 | 3,339 | 366 | 4,357 | 171 | 1 | 10,582 |

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 |
|----------------|-----------|---------|---------------|-----------------------|-------------------------|
| 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 | \$ 323,896,00 | \$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% |
| 2012 | General | 4,361 | \$351,965,689 | \$80,708 | 1.9% |
| | Safety | 435 | \$51,129,267 | \$117,539 | 0.7% |
| | Probation | 299 | \$24,554,583 | \$82,122 | 1.9% |
| | Total | 5,095 | \$427,649,539 | \$83,935 | 1.8% |

*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, 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 ⁽³⁾ | 209 | 12,703 | 64 | 2,916 | 4,147 | 134,675 | 7.8 | 2,706 |
| June 30, 2012 | 218 | 14,379 | 90 | 4,209 | 4,275 | 144,845 | 7.6 | 2,823 |

⁽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.

⁽³⁾ Revised from June 30, 2011 valuation for corrections.

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)

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------------|----------|----------|----------|----------|----------|
| General Plan 1 | \$7,843 | \$7,630 | \$7,543 | \$7,534 | \$7,252 |
| General Plan 2 | \$7,340 | \$7,208 | \$7,193 | \$7,120 | \$6,872 |
| General Plan 3 | \$6,138 | \$5,968 | \$5,818 | \$5,791 | \$5,619 |
| General Plan 4 | \$6,580 | \$6,398 | \$6,348 | \$6,212 | \$5,914 |
| General Plan 5 | \$5,799 | N/A | N/A | N/A | N/A |
| General Plan Total | \$6,726 | \$6,599 | \$6,569 | \$6,468 | \$6,211 |
| Safety Plan 1 | \$12,624 | \$12,073 | \$11,578 | \$10,889 | \$11,113 |
| Safety Plan 2 | \$10,892 | \$10,789 | \$10,548 | \$10,135 | \$9,612 |
| Safety Plan 4 | \$9,351 | \$9,230 | \$8,931 | \$8,610 | \$8,349 |
| Safety Plan 5 | \$9,667 | N/A | N/A | N/A | N/A |
| Safety Plan 6 | N/A | N/A | N/A | N/A | N/A |
| Safety Plan Total | \$9,795 | \$9,730 | \$9,525 | \$9,197 | \$8,937 |
| Probation Plan 1 | \$6,618 | \$7,533 | \$8,922 | \$9,751 | \$9,791 |
| Probation Plan 2 | \$7,454 | \$7,349 | \$7,393 | \$7,341 | \$6,960 |
| Probation Plan 4 | \$6,686 | \$6,505 | \$6,456 | \$6,291 | \$5,978 |
| Probation Plan 5 | \$4,949 | N/A | N/A | N/A | N/A |
| Probation Plan 6 | \$5,239 | N/A | N/A | N/A | N/A |
| Probation Plan Total | \$6,844 | \$6,719 | \$6,722 | \$6,634 | \$6,344 |
| Grand Total | \$6,995 | \$6,872 | \$6,813 | \$6,692 | \$6,433 |

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

Participating Employers and Active Members

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|------|------|------|------|------|
|--|------|------|------|------|------|

*County of San Mateo**

| | | | | | |
|-------------------|-------|-------|-------|-------|-------|
| General Members | 4,078 | 4,476 | 4,589 | 4,758 | 4,718 |
| Safety Members | 435 | 446 | 425 | 436 | 432 |
| Probation Members | 299 | 305 | 313 | 330 | 325 |
| Total | 4,812 | 5,227 | 5,327 | 5,524 | 5,475 |

Mosquito and Vector

| | | | | | |
|-----------------------|----|----|----|----|----|
| General Members Total | 15 | 18 | 20 | 19 | 25 |
|-----------------------|----|----|----|----|----|

*Courts**

| | | | | | |
|-----------------------|-----|-----|-----|-----|-----|
| General Members Total | 268 | N/A | N/A | N/A | N/A |
|-----------------------|-----|-----|-----|-----|-----|

| | | | | | |
|-------------------------|-------|-------|-------|-------|-------|
| Total Active Membership | 5,095 | 5,245 | 5,347 | 5,543 | 5,500 |
|-------------------------|-------|-------|-------|-------|-------|

* Courts not split out for years prior to 2012. County of San Mateo counts exclude Courts in 2012.

San Mateo County Employees' Retirement Association

Exhibit 23: Summary of Retired and Inactive Benefits

| Retired Members | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Service Retirement | | | | | |
| Number | 3,355 | 3,242 | 3,108 | 3,032 | 2,958 |
| Annual Allowance | | | | | |
| Basic Only | \$ 94,234,000 | \$ 87,254,000 | \$ 79,007,000 | \$ 73,038,000 | \$ 66,704,000 |
| COLA | \$ 24,748,000 | \$ 23,212,000 | \$ 22,542,000 | \$ 22,964,000 | \$ 21,289,000 |
| Total | \$ 118,982,000 | \$ 110,466,000 | \$ 101,549,000 | \$ 96,002,000 | \$ 87,993,000 |
| Average Monthly Payment | \$ 2,955 | \$ 2,839 | \$ 2,723 | \$ 2,639 | \$ 2,479 |
| Disability Retirement | | | | | |
| Number | 374 | 370 | 365 | 369 | 361 |
| Annual Allowance | | | | | |
| Basic Only | \$ 9,909,000 | \$ 9,414,000 | \$ 8,988,000 | \$ 8,722,000 | \$ 8,214,000 |
| COLA | \$ 3,225,000 | \$ 3,005,000 | \$ 2,926,000 | \$ 3,070,000 | \$ 2,847,000 |
| Total | \$ 13,134,000 | \$ 12,419,000 | \$ 11,914,000 | \$ 11,792,000 | \$ 11,061,000 |
| Average Monthly Payment | \$ 2,927 | \$ 2,797 | \$ 2,720 | \$ 2,663 | \$ 2,553 |
| Beneficiaries | | | | | |
| Number | 546 | 535 | 529 | 534 | 523 |
| Annual Allowance | | | | | |
| Basic Only | \$ 7,235,000 | \$ 6,672,000 | \$ 6,309,000 | \$ 6,052,000 | \$ 5,757,000 |
| COLA | \$ 5,494,000 | \$ 5,118,000 | \$ 5,116,000 | \$ 5,206,000 | \$ 4,805,000 |
| Total | \$ 12,729,000 | \$ 11,790,000 | \$ 11,425,000 | \$ 11,258,000 | \$ 10,562,000 |
| Average Monthly Payment | \$ 1,943 | \$ 1,836 | \$ 1,800 | \$ 1,757 | \$ 1,683 |
| Total Retired Members | | | | | |
| Number | 4,275 | 4,147 | 4,002 | 3,935 | 3,842 |
| Annual Allowance | | | | | |
| Basic Only | \$ 111,378,000 | \$ 103,340,000 | \$ 94,304,000 | \$ 87,812,000 | \$ 80,675,000 |
| COLA | \$ 33,467,000 | \$ 31,335,000 | \$ 30,584,000 | \$ 31,240,000 | \$ 28,941,000 |
| Total | \$ 144,845,000 | \$ 134,675,000 | \$ 124,888,000 | \$ 119,052,000 | \$ 109,616,000 |
| Average Monthly Payment | \$ 2,823 | \$ 2,706 | \$ 2,601 | \$ 2,521 | \$ 2,378 |
| Inactive Members | 1,212 | 1,190 | 1,207 | 1,230 | 1,225 |

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, 2012 |
| 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, 2012). 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 | 7.50% |
| Price Inflation (CPI) | 3.25% |
| Payroll Increases | 3.75% |
| Average Projected Salary Increases | 4.95% |
| Attributable to Wage Inflation | 3.75% |
| 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 | |
| General Plan 1, 2, 4, & 5 Male Members | | | | | | | | |
| 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 |
| General Plan 1, 2, 4 & 5 Female Members | | | | | | | | |
| 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 |
| General Plan 3 Male Members | | | | | | | | |
| 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 |
| General Plan 3 Female Members | | | | | | | | |
| 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 |
| Safety and Probation Plan 1, 2, 4, & 5 Male Members | | | | | | | | |
| 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 |
| Safety and Probation Plan 1, 2, 4, & 5 Female Members | | | | | | | | |
| 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 |
| Safety and Probation Plan 6 Male Members | | | | | | | | |
| 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 | 0.0500 |
| 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 |
| Safety and Probation Plan 6 Female Members | | | | | | | | |
| 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 | 0.0500 |
| 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 |

This work product was prepared solely for *SamCERA* for the purposes described herein and 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

San Mateo County Employees' Retirement Association

Appendix A: Actuarial Procedures and Assumptions



The actuarial procedures and assumptions used in the valuation are described in this section. The demographic assumptions were reviewed and changed as a result of the 2011 Investigation of Experience Study. New economic assumptions were adopted for use in the 2012 actuarial valuation.

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of *SamCERA* and of *SamCERA* itself in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of *SamCERA*'s benefits.

Table A-1 summarizes the assumptions. The mortality rates are taken from the sources listed.

Tables A-2 and A-3 show how members are expected to leave retired status due to death.

Table A-4 presents the probability of refund of contributions upon termination of employment while vested.

Table A-5 presents the expected annual percentage increase in salaries.

Tables A-6 to A-11 present the probabilities a member will leave the system for various reasons.

NOTE: Assumptions for Probation members are assumed to be the same as Safety members unless otherwise noted.

Actuarial Cost Method

The actuarial valuation is prepared using the entry age actuarial cost method (CERL 31453.5). Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age).

For members who transferred from Plan 3 to another General plan, entry age is based on the transfer date.

The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets, and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL as of June 30, 2008 is amortized as a level percentage of the projected salaries of present and future members of *SamCERA* over the remaining period from the valuation date to June 30, 2023. This is commonly referred to as a "closed amortization method". Actuarial gains and losses after the June 30, 2008 valuation are amortized over new closed 15-year periods from their respective valuation dates.

Beginning with the June 30, 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District adopted the same "enhanced" benefit formula that applies to Plan 1, 2 & 4 County General members and the same member rates currently being paid by County General members from those plans. However, because the Mosquito and Vector Control District does not participate in cost sharing on the member rates, it will have a separate normal cost rate and expected member contribution rate from the County General group.

The normal cost rate is calculated separately for County General and for the Mosquito and Vector Control District. These normal cost rates will differ from each other for two reasons:

- 1) The demographics within the two groups will vary (specifically, the groups will have different average entry ages), and
- 2) The expected refund of contributions, which is a component of the normal cost, will differ between the County and the Mosquito and Vector Control District, since the District does not participate in cost sharing on the member rates.

| | |
|---|---|
| Records and Data | The data used in this valuation consist of financial information and the age, service, and income records for active and inactive members and their survivors. All of the data were supplied by <i>SamCERA</i> and are accepted for valuation purposes without audit. |
| Replacement of Terminated Members | The ages and relative salaries at entry of future members are assumed to follow a new entrant distribution based on the pattern of current members. Under this assumption, the normal cost rates for active members will remain fairly stable in future years unless there are changes in the governing law, the actuarial assumptions or the pattern of the new entrants. |
| Growth in Membership | For benefit determination purposes, no growth in the membership of <i>SamCERA</i> is assumed. For funding purposes, if amortization is required, the total payroll of covered members is assumed to grow due to the combined effects of future wage increases of current active members and the replacement of the current active members by new employees. No growth in the total number of active members is assumed. |
| Internal Revenue Code Section 415 Limit | The Internal Revenue Code Section 415 maximum benefit limitations are not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement. |
| Internal Revenue Code Section 401(a)(17) | The Internal Revenue Code Section 401(a)(17) maximum compensation limitation is not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement. |
| Employer Contributions | The employer contribution rate is set by the Retirement Board based on actuarial valuations. |
| Member Contributions | <p>The member contribution rates vary by entry age and are described in the law. Code references are shown in Appendix B of the valuation report. The methods and assumptions used are detailed later in this section.</p> <p>The individual member rates by entry age, plan and class are illustrated in Appendix D of the valuation report.</p> |
| Valuation of Assets | The assets are valued using a five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value is the prior year's market value increased with the net increase in the cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption. |

Investment Earnings and Expenses

The future investment earnings of the assets of *SamCERA* are assumed to accrue at an annual rate of 7.50% compounded annually, net of both investment and administrative expenses. This rate was adopted effective June 30, 2012.

Postretirement Benefit Increases

Postretirement increases are described in Appendix B. Assumed increases for valuation purposes are:

| | General | Safety | Probation |
|--------|---------|--------|-----------|
| Plan 1 | 3.25% | 3.25% | 2.90% |
| Plan 2 | 2.65% | 2.65% | 2.65% |
| Plan 3 | 0.00% | N/A | N/A |
| Plan 4 | 1.90% | 1.90% | 1.90% |

Assumed Plan 1 General and Safety COLAs are set at the inflation (CPI) assumption of 3.75% per year. Since Plan 2 does not have a COLA bank, it is expected that increases will be limited in some years. This reduces the overall expected rate and is reflected in a lower assumed increase.

Interest on Member Contributions

The annual credited interest rate on member contributions is assumed to be 7.50% compounded semi-annually for an annualized rate of 7.64%. This rate was adopted effective June 30, 2012 for valuation purposes, although the change in member crediting is not effective until July 1, 2013.

Future Salaries

The rates of annual salary increase assumed for the purpose of the valuation are illustrated in Table A-5. In addition to increases in salary due to promotions and longevity, this scale includes an assumed 3.75% per annum rate of increase in the general wage level of the membership.

Increases are assumed to occur mid-year. The mid-year timing reflects that salary increases occur throughout the year, or on average mid-year.

SamCERA supplied two types of compensation data: 1) pensionable pay from the most recent bi-weekly pay period; and 2) pensionable pay from the prior year. We annualized by bi-weekly pay (by multiplying by 26) and then used the greater of the two amounts.

Social Security Wage Base

Plan 3 members have their benefits offset by an assumed Social Security Benefit. For valuation funding purposes, we need to project the Social Security Benefit. We assume the current Social Security provisions will continue and the annual Wage Base will increase at the rate of 3.25% per year. Note, statutory provisions describe how to compute a member's offset amount at time of termination or retirement.

Retirement

The retirement rates vary by age and are shown by plan in Tables A-6 through A-11.

All General members who attain or who have attained age 70 and all Safety members who have attained age 60 are assumed to retire immediately. Additionally, if a member's benefit is equal to or greater than the 100% of compensation limit, they are also assumed to retire immediately. For purposes of the valuation, immediate retirement is assumed at:

- Age 62 with 38 years of service (General, except Plan 3)
- Any age with 33 years of service (Safety & Probation, except Plans 5 and 6)
- Age 55 with 33 years of service (Safety & Probation Plan 5)
- Age 55 with 38 years of service (Safety & Probation Plan 6)

Deferred vested members are assumed to retire at the later of current age and:

- Age 55 (General Members, except Plan 3)
- Age 65 (General Plan 3 Members)
- Age 50 (Probation and Safety members)

The retirement rates were adopted June 30, 2011.

Disablement

The rates of disablement used in the valuation are also illustrated in Tables A-6 through A-11.

The disability rates were adopted June 30, 2011.

Mortality – Other Than Disabled Members

The same postretirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. These rates are illustrated in Table A-2. Beneficiary mortality is assumed to be the same as for healthy members. Beneficiaries are assumed to be of the opposite sex, and have the same mortality as General members.

General Males RP-2000 Healthy Combined Mortality Table for Males with adjustment for White Collar workers. Ages are set back three years.

Safety Males Same as General.

General Females RP-2000 Healthy Combined Mortality Table for Females with adjustment for White Collar workers. Ages are set back three years.

Safety Females Same as General.

The rates of retired mortality were adopted June 30, 2011.

Mortality – Disabled Members

For disabled members, the mortality rates used in the valuation rates are illustrated in Table A-3.

| | |
|------------------------|---|
| <i>General Males</i> | Average of RP-2000 Healthy Combined Mortality Table for Males with adjustment for White Collar workers and the RP-2000 Disabled Annuitant Mortality Table for Males, both set back three years. |
| <i>Safety Males</i> | RP-2000 Healthy Combined Mortality Table for Males with adjustment for White Collar workers (minimum is 1.0%). |
| <i>General Females</i> | Average of RP-2000 Healthy Combined Mortality Table for Females with adjustment for White Collar workers and the RP-2000 Disabled Annuitant Mortality Table for Females, both set back three years. |
| <i>Safety Females</i> | RP-2000 Healthy Combined Mortality Table for Females with adjustment for White Collar workers (minimum is 1.0%). |

The rates of mortality were adopted June 30, 2011.

Other Employment Terminations

Tables A-6 to A-11 show, for all ages, the rates assumed in this valuation for future termination from active service other than for death, disability or retirement. These rates do not apply to members eligible for service retirement.

Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further benefits, or they may leave their contributions with *SamCERA*. Former contributing members whose contributions are on deposit may later elect to receive a refund, may return to work or may remain inactive until becoming eligible to receive a retirement benefit under either *SamCERA* or a reciprocal retirement system. All terminating members who are not eligible for vested benefits are assumed to withdraw their contributions immediately.

The rates of termination were adopted June 30, 2011.

Probability of Refund

Table A-4 gives the assumed probabilities that vested members will withdraw their contributions and elect a refund immediately upon termination and the probability the remaining members will elect a deferred vested benefit. For Plan 3, 100% of members are assumed to elect a vested benefit. All non-vested members are assumed to elect a refund and withdraw their contributions.

The probability of refund assumptions were adopted June 30, 2011.

Probability of Eligible Survivor

For members not currently in pay status, 80% of all males and 55% of all females are assumed to have eligible survivors (spouses or qualified domestic partners). Survivors are assumed to be three years younger than male members and three years older than female members. Survivors are assumed to be of the opposite sex as the member. There is no explicit assumption for children's benefits. We believe the survivor benefits based on this assumption are sufficient to cover children's benefits as they occur.

Valuation of Current Deferred Members

Current non-vested members who have terminated active employment are assumed to take a refund of their contributions.

Current vested members who have terminated active employment are assumed to keep their accounts with *SamCERA* and retire as specified in this section. An adjustment is made to the salary data provided for these individuals, as it is our understanding that the salary data may not be complete in many cases. The adjustment is based on the average pay for all members of the active group divided by average pay for the deferred group. The average pay for the active group is based on the average pay over the last five-year period using the information supplied in the CAFR.

Reciprocal Benefits

35% of future deferred vested General members and 45% of future deferred vested Safety members are assumed to immediately join a reciprocal agency. For future reciprocal members, salaries are assumed to increase at the same rate as if they had remained in active employment with *SamCERA*. For current deferred vested members, eligibility is based on the data supplied by *SamCERA* and future salaries are assumed to increase at 4.27% annually.

Part-Time Employees

For valuation purposes, part-time employees are assumed to continue working the same number of hours in the future.

Member Contribution Rate Assumptions

The following assumptions summarize the procedures used to compute member contribution rates based on entry age:

In general, the member rate is determined by the present value of the future benefit (PVFB) payable at retirement age, divided by the present value of all future salaries payable between age at entry and retirement age. For these purposes, per the CERL:

- A. The annuity factor used for General members is based on a 33% / 67% blend of the male and female annuity factors using current valuation assumptions and no COLA. For Safety members it is based on an 83% / 17% blend of the male and female annuity factors using current valuation assumptions.
- B. The annuity factor used in determining the present value of future benefits (PVFB) at entry age is equal to the life only annuity factor at 7.50%.

**Member Contribution
Rate Assumptions
(continued)**

- C. The Final Compensation is based on the salary paid in the year prior to attaining the retirement age.

Example: For a Plan 4 Member who enters at age 54 or earlier, the Final Compensation at retirement (age 55) will be the monthly average of the annual salary for age 54.

- D. For purposes of calculating the value of the member's future contribution, interest is assumed to be credited at 7.50% semiannually (7.64% annual rate).
- E. Member Rates are assumed to increase with entry age. There are a few exceptions at the higher entry ages where the calculated rate is less than the previous entry age. In these cases the member contribution rate is adjusted so that it is no less than the value for the previous entry age.
- F. Member Rates for members of the California Nurses Association in Plans 1, 2, and 4 are loaded to account for a 25% COLA share. The COLA loads are applied to the otherwise applicable basic member rates, prior to the addition of cost-sharing. The loads were determined based on 2012 information and were applied as follows:

Plan 1 CNA members: 20.87% load
Plan 2 CNA members: 16.40% load
Plan 4 CNA members: 11.18% load

- G. Member rates for members in Plans 5 and 6 are loaded to account for 50% COLA share. The COLA loads are applied to the otherwise applicable basic member rates, prior to the addition of cost-sharing where applicable. The loads were determined based on 2012 information and were applied as follows:

Plan 5 General members: 21.30% load

Plan 5 Probation members: 37.02% load
Plan 6 Probation members: 33.36% load

Plan 5 Safety members: 30.07% load
Plan 6 Safety members: 26.88% load

For purposes of determining cost-sharing, 85% of Safety members (excluding Probation members) were assumed to be deputy sheriffs.

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Table A-1: Summary of Valuation Assumptions as of June 30, 2012

| | | |
|-----|---|--------------------|
| I. | Economic assumptions | |
| | A. General wage increases | 3.75% |
| | B. Investment earnings | 7.50% |
| | C. Growth in active membership | 0.00% |
| | D. CPI inflation assumption | 3.25% |
| II. | Demographic assumptions | |
| | A. Salary increases due to service | Table A-5 |
| | B. Retirement | Tables A-6 to A-11 |
| | C. Disablement | Tables A-6 to A-11 |
| | D. Mortality for active members prior to termination* | Tables A-6 to A-11 |

Basis-- RP-2000 Employees Table with age adjustments:

| <u>Class of Members</u> | <u>Age Adjustment</u> |
|-------------------------|---------------------------|
| General – Males | -3 years |
| General – Females | -3 years |
| Safety – Males | -3 years |
| Safety – Females | -3 years |

| | | |
|----|---|-----------|
| E. | Mortality for active members after termination and service retired members* | Table A-2 |
|----|---|-----------|

Basis – RP-2000 Healthy Combined Mortality Table with adjustment for White Collar workers:

| <u>Class of Members</u> | <u>Age Adjustment</u> |
|-------------------------|---------------------------|
| General – Males | -3 years |
| General – Females | -3 years |
| Safety – Males | -3 years |
| Safety – Females | -3 years |

**Table A-1: Summary of Valuation Assumptions as of June 30, 2012
(continued)**

F. Mortality among disabled members* Table A-3

Basis – Average of RP-2000 Healthy Combined Mortality Table with adjustment for White Collar workers and RP-2000 Disabled Annuitant Mortality Table:

| <u>Class of Members</u> | <u>Age Adjustment</u> | <u>Minimum Rate</u> |
|-------------------------|-----------------------|---------------------|
| General – Males | -3 years | None |
| General – Females | -3 years | None |

Basis – RP-2000 Healthy Combined Mortality Table with adjustment for White Collar workers:

| <u>Class of Members</u> | <u>Age Adjustment</u> | <u>Minimum Rate</u> |
|-------------------------|-----------------------|---------------------|
| Safety – Males | none | 1.00% |
| Safety – Females | none | 0.40% |

G. Mortality for beneficiaries* Table A-2

Basis – Beneficiaries are assumed to be of the opposite sex and have the same mortality as General members.

H. Other terminations of employment Tables A-6 to A-11

I. Refund of contributions on vested termination Table A-4

* *The current mortality assumptions contain a margin to account for expected future mortality improvement. Refer to the 2011 Investigation of Experience Report for details.*

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Table A-2: Mortality for Members Retired for Service

| Age | General Male | General Female | Safety Male | Safety Female |
|-----|-----------------|-------------------|----------------|------------------|
| 20 | 0.030% | 0.018% | 0.030% | 0.018% |
| 25 | 0.037% | 0.019% | 0.037% | 0.019% |
| 30 | 0.038% | 0.022% | 0.038% | 0.022% |
| 35 | 0.043% | 0.036% | 0.043% | 0.036% |
| 40 | 0.071% | 0.053% | 0.071% | 0.053% |
| 45 | 0.103% | 0.076% | 0.103% | 0.076% |
| 50 | 0.158% | 0.123% | 0.158% | 0.123% |
| 55 | 0.250% | 0.192% | 0.250% | 0.192% |
| 60 | 0.409% | 0.332% | 0.409% | 0.332% |
| 65 | 0.731% | 0.599% | 0.731% | 0.599% |
| 70 | 1.404% | 1.094% | 1.404% | 1.094% |
| 75 | 2.387% | 1.878% | 2.387% | 1.878% |
| 80 | 4.236% | 3.155% | 4.236% | 3.155% |
| 85 | 7.493% | 5.337% | 7.493% | 5.337% |
| 90 | 13.019% | 9.248% | 13.019% | 9.248% |

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Table A-3: Mortality for Members Retired for Disability

| Age | General Male | General Female | Safety Male | Safety Female |
|------------|-------------------------|---------------------------|------------------------|--------------------------|
| 20 | 1.144% | 0.382% | 1.000% | 0.400% |
| 25 | 1.147% | 0.382% | 1.000% | 0.400% |
| 30 | 1.148% | 0.384% | 1.000% | 0.400% |
| 35 | 1.150% | 0.391% | 1.000% | 0.400% |
| 40 | 1.164% | 0.399% | 1.000% | 0.400% |
| 45 | 1.180% | 0.411% | 1.000% | 0.400% |
| 50 | 1.335% | 0.509% | 1.000% | 0.400% |
| 55 | 1.703% | 0.769% | 1.000% | 0.400% |
| 60 | 2.106% | 1.099% | 1.000% | 0.468% |
| 65 | 2.615% | 1.503% | 1.106% | 0.865% |
| 70 | 3.424% | 2.114% | 1.928% | 1.519% |
| 75 | 4.664% | 3.082% | 3.363% | 2.572% |
| 80 | 6.725% | 4.555% | 5.941% | 4.308% |
| 85 | 9.840% | 6.783% | 10.467% | 7.419% |
| 90 | 14.271% | 10.350% | 17.827% | 12.615% |

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**Table A-4: Immediate Refund of Contributions Upon Termination of Employment
(Excludes Plan 3)**

| Years of Service | General | Safety |
|---------------------|---------|--------|
| 0 | 100% | 100% |
| 1 | 100% | 100% |
| 2 | 100% | 100% |
| 3 | 100% | 100% |
| 4 | 100% | 100% |
| 5 | 45% | 35% |
| 6 | 45% | 35% |
| 7 | 45% | 35% |
| 8 | 44% | 34% |
| 9 | 43% | 33% |
| 10 | 42% | 32% |
| 11 | 41% | 31% |
| 12 | 40% | 30% |
| 13 | 38% | 25% |
| 14 | 36% | 20% |
| 15 | 34% | 15% |
| 16 | 32% | 10% |
| 17 | 30% | 5% |
| 18 | 27% | 4% |
| 19 | 24% | 3% |
| 20 | 21% | 0% |
| 21 | 18% | 0% |
| 22 | 15% | 0% |
| 23 | 12% | 0% |
| 24 | 9% | 0% |
| 25 | 6% | 0% |
| 26 | 3% | 0% |
| 27 | 0% | 0% |
| 28 | 0% | 0% |
| 29 | 0% | 0% |
| 30 & Up | 0% | 0% |

San Mateo County Employees' Retirement Association

Table A-5: Annual Increase in Salary

| Years of Service | Due to Promotion and Longevity | Total Annual Increase* |
|---------------------|-----------------------------------|---------------------------|
| <1 | 6.00% | 9.97% |
| 1 | 4.00% | 7.90% |
| 2 | 3.00% | 6.86% |
| 3 | 2.50% | 6.34% |
| 4 | 2.00% | 5.82% |
| 5 | 1.75% | 5.57% |
| 6 | 1.50% | 5.31% |
| 7 | 1.25% | 5.05% |
| 8 | 1.05% | 4.84% |
| 9 | 0.90% | 4.68% |
| 10 | 0.80% | 4.58% |
| 11 | 0.70% | 4.48% |
| 12 | 0.60% | 4.37% |
| 13 | 0.50% | 4.27% |
| 14 | 0.50% | 4.27% |
| 15 | 0.50% | 4.27% |
| 16 | 0.50% | 4.27% |
| 17 | 0.50% | 4.27% |
| 18 | 0.50% | 4.27% |
| 19 | 0.50% | 4.27% |
| 20 or More | 0.50% | 4.27% |

** The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 3.75% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.*

San Mateo County Employees' Retirement Association

Appendix A: Rates of Separation From Active Service Tables A-6 to A-11

A schedule of the probabilities of termination of employment due to the following causes can be found on the following pages:

| | |
|----------------------|---|
| Service Retirement: | Member retires after meeting age and service requirements for reasons other than disability. |
| Withdrawal: | Member terminates and elects a refund of member contributions, or a deferred vested retirement benefit. |
| Service Disability: | Member receives disability retirement; disability is service related. |
| Ordinary Disability: | Member receives disability retirement; disability is not service related. |
| Service Death: | Member dies before retirement; death is service related. |
| Ordinary Death: | Member dies before retirement; death is not service related. |

Each rate represents the probability that a member will separate from service at each age due to the particular cause. For example, a rate of 0.0300 for a member's service retirement at age 50 means we assume that 30 out of 1,000 members who are age 50 will retire at that age.

Each table represents the detailed rates needed for each *SamCERA* plan by sex:

| | |
|---|--|
| Table A-6: General Plan 1, 2, 4 & 5 Males | A-10: Safety and Probation Plans 1, 2, 4, 5, & 6 Males |
| A-7: General Plan 1, 2, 4 & 5 Females | A-11: Safety and Probation Plans 1, 2, 4, 5, & 6 Females |
| A-8: General Plan 3 Males | |
| A-9: General Plan 3 Females | |

San Mateo County Employees' Retirement Association

**Table A-6: Rate of Separation From Active Service
General Plans 1, 2, 4 & 5 – Male**

| Age | Service Retirement* | Service Disability | Ordinary Disability | Service Death | Ordinary Death | Years of Service | Other Terminations |
|-----|---------------------|--------------------|---------------------|---------------|----------------|------------------|--------------------|
| 18 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0003 | 0 | 0.1300 |
| 19 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0003 | 1 | 0.1100 |
| 20 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0003 | 2 | 0.0900 |
| 21 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0003 | 3 | 0.0800 |
| 22 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0003 | 4 | 0.0700 |
| 23 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0003 | 5 | 0.0633 |
| 24 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0004 | 6 | 0.0567 |
| 25 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0004 | 7 | 0.0500 |
| 26 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0004 | 8 | 0.0470 |
| 27 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0004 | 9 | 0.0440 |
| 28 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0004 | 10 | 0.0410 |
| 29 | 0.0000 | 0.0004 | 0.0003 | N/A | 0.0004 | 11 | 0.0380 |
| 30 | 0.0000 | 0.0004 | 0.0003 | N/A | 0.0004 | 12 | 0.0350 |
| 31 | 0.0000 | 0.0005 | 0.0003 | N/A | 0.0004 | 13 | 0.0330 |
| 32 | 0.0000 | 0.0005 | 0.0003 | N/A | 0.0004 | 14 | 0.0310 |
| 33 | 0.0000 | 0.0005 | 0.0004 | N/A | 0.0004 | 15 | 0.0290 |
| 34 | 0.0000 | 0.0006 | 0.0004 | N/A | 0.0005 | 16 | 0.0270 |
| 35 | 0.0000 | 0.0006 | 0.0004 | N/A | 0.0006 | 17 | 0.0250 |
| 36 | 0.0000 | 0.0007 | 0.0004 | N/A | 0.0006 | 18 | 0.0230 |
| 37 | 0.0000 | 0.0007 | 0.0005 | N/A | 0.0007 | 19 | 0.0210 |
| 38 | 0.0000 | 0.0008 | 0.0005 | N/A | 0.0008 | 20 | 0.0190 |
| 39 | 0.0000 | 0.0008 | 0.0006 | N/A | 0.0008 | 21 | 0.0170 |
| 40 | 0.0000 | 0.0010 | 0.0006 | N/A | 0.0009 | 22 | 0.0150 |
| 41 | 0.0000 | 0.0010 | 0.0007 | N/A | 0.0010 | 23 | 0.0140 |
| 42 | 0.0000 | 0.0011 | 0.0007 | N/A | 0.0010 | 24 | 0.0130 |
| 43 | 0.0000 | 0.0011 | 0.0008 | N/A | 0.0011 | 25 | 0.0120 |
| 44 | 0.0000 | 0.0012 | 0.0008 | N/A | 0.0011 | 26 | 0.0110 |
| 45 | 0.0000 | 0.0013 | 0.0009 | N/A | 0.0012 | 27 | 0.0100 |
| 46 | 0.0000 | 0.0014 | 0.0009 | N/A | 0.0013 | 28 | 0.0100 |
| 47 | 0.0000 | 0.0014 | 0.0010 | N/A | 0.0014 | 29 | 0.0100 |
| 48 | 0.0000 | 0.0015 | 0.0010 | N/A | 0.0015 | 30 & Above | 0.0000 |
| 49 | 0.0000 | 0.0016 | 0.0010 | N/A | 0.0016 | | |
| 50 | 0.0500 | 0.0016 | 0.0010 | N/A | 0.0017 | | |
| 51 | 0.0450 | 0.0016 | 0.0011 | N/A | 0.0019 | | |
| 52 | 0.0450 | 0.0017 | 0.0011 | N/A | 0.0020 | | |
| 53 | 0.0500 | 0.0017 | 0.0012 | N/A | 0.0021 | | |
| 54 | 0.0500 | 0.0018 | 0.0012 | N/A | 0.0023 | | |
| 55 | 0.0600 | 0.0018 | 0.0012 | N/A | 0.0024 | | |
| 56 | 0.0600 | 0.0019 | 0.0012 | N/A | 0.0026 | | |
| 57 | 0.0800 | 0.0019 | 0.0013 | N/A | 0.0028 | | |
| 58 | 0.1200 | 0.0020 | 0.0014 | N/A | 0.0030 | | |
| 59 | 0.1200 | 0.0021 | 0.0014 | N/A | 0.0033 | | |
| 60 | 0.1500 | 0.0022 | 0.0015 | N/A | 0.0036 | | |
| 61 | 0.2000 | 0.0023 | 0.0015 | N/A | 0.0040 | | |
| 62 | 0.3250 | 0.0024 | 0.0016 | N/A | 0.0044 | | |
| 63 | 0.2500 | 0.0025 | 0.0017 | N/A | 0.0049 | | |
| 64 | 0.2500 | 0.0026 | 0.0018 | N/A | 0.0054 | | |
| 65 | 0.2500 | 0.0028 | 0.0018 | N/A | 0.0059 | | |
| 66 | 0.3500 | 0.0029 | 0.0019 | N/A | 0.0065 | | |
| 67 | 0.3500 | 0.0030 | 0.0020 | N/A | 0.0070 | | |
| 68 | 0.3000 | 0.0031 | 0.0021 | N/A | 0.0076 | | |
| 69 | 0.3000 | 0.0032 | 0.0022 | N/A | 0.0081 | | |
| 70 | 1.0000 | 0.0000 | 0.0000 | N/A | 0.0000 | | |

* 100% probability of retirement is assumed at ages 62 and above with 38 or more years of service.

San Mateo County Employees' Retirement Association

**Table A-7: Rate of Separation From Active Service
General Plans 1, 2, 4 & 5 – Female**

| Age | Service Retirement* | Service Disability | Ordinary Disability | Service Death | Ordinary Death | Years of Service | Other Terminations |
|-----|---------------------|--------------------|---------------------|---------------|----------------|------------------|--------------------|
| 18 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 0 | 0.1200 |
| 19 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 1 | 0.1000 |
| 20 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 2 | 0.0850 |
| 21 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 3 | 0.0750 |
| 22 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 4 | 0.0700 |
| 23 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 5 | 0.0633 |
| 24 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 6 | 0.0567 |
| 25 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 7 | 0.0500 |
| 26 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 8 | 0.0455 |
| 27 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 9 | 0.0410 |
| 28 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 10 | 0.0365 |
| 29 | 0.0000 | 0.0003 | 0.0002 | N/A | 0.0002 | 11 | 0.0320 |
| 30 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0002 | 12 | 0.0275 |
| 31 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0002 | 13 | 0.0270 |
| 32 | 0.0000 | 0.0004 | 0.0002 | N/A | 0.0002 | 14 | 0.0265 |
| 33 | 0.0000 | 0.0004 | 0.0003 | N/A | 0.0003 | 15 | 0.0260 |
| 34 | 0.0000 | 0.0004 | 0.0003 | N/A | 0.0003 | 16 | 0.0255 |
| 35 | 0.0000 | 0.0005 | 0.0003 | N/A | 0.0003 | 17 | 0.0250 |
| 36 | 0.0000 | 0.0005 | 0.0003 | N/A | 0.0004 | 18 | 0.0230 |
| 37 | 0.0000 | 0.0005 | 0.0004 | N/A | 0.0004 | 19 | 0.0210 |
| 38 | 0.0000 | 0.0006 | 0.0004 | N/A | 0.0005 | 20 | 0.0190 |
| 39 | 0.0000 | 0.0006 | 0.0004 | N/A | 0.0005 | 21 | 0.0170 |
| 40 | 0.0000 | 0.0007 | 0.0004 | N/A | 0.0006 | 22 | 0.0150 |
| 41 | 0.0000 | 0.0007 | 0.0004 | N/A | 0.0006 | 23 | 0.0140 |
| 42 | 0.0000 | 0.0007 | 0.0005 | N/A | 0.0006 | 24 | 0.0130 |
| 43 | 0.0000 | 0.0008 | 0.0005 | N/A | 0.0007 | 25 | 0.0120 |
| 44 | 0.0000 | 0.0008 | 0.0006 | N/A | 0.0008 | 26 | 0.0110 |
| 45 | 0.0000 | 0.0010 | 0.0006 | N/A | 0.0009 | 27 | 0.0100 |
| 46 | 0.0000 | 0.0010 | 0.0007 | N/A | 0.0009 | 28 | 0.0100 |
| 47 | 0.0000 | 0.0011 | 0.0007 | N/A | 0.0010 | 29 | 0.0100 |
| 48 | 0.0000 | 0.0013 | 0.0009 | N/A | 0.0011 | 30 & Above | 0.0000 |
| 49 | 0.0000 | 0.0015 | 0.0010 | N/A | 0.0012 | | |
| 50 | 0.0400 | 0.0017 | 0.0012 | N/A | 0.0013 | | |
| 51 | 0.0400 | 0.0019 | 0.0013 | N/A | 0.0014 | | |
| 52 | 0.0400 | 0.0022 | 0.0014 | N/A | 0.0016 | | |
| 53 | 0.0400 | 0.0023 | 0.0015 | N/A | 0.0017 | | |
| 54 | 0.0500 | 0.0023 | 0.0016 | N/A | 0.0018 | | |
| 55 | 0.0600 | 0.0025 | 0.0016 | N/A | 0.0020 | | |
| 56 | 0.0600 | 0.0025 | 0.0017 | N/A | 0.0021 | | |
| 57 | 0.0800 | 0.0026 | 0.0018 | N/A | 0.0023 | | |
| 58 | 0.1200 | 0.0027 | 0.0018 | N/A | 0.0025 | | |
| 59 | 0.1200 | 0.0028 | 0.0018 | N/A | 0.0028 | | |
| 60 | 0.1500 | 0.0029 | 0.0019 | N/A | 0.0030 | | |
| 61 | 0.2000 | 0.0029 | 0.0020 | N/A | 0.0033 | | |
| 62 | 0.3000 | 0.0030 | 0.0020 | N/A | 0.0036 | | |
| 63 | 0.2500 | 0.0030 | 0.0020 | N/A | 0.0039 | | |
| 64 | 0.2500 | 0.0030 | 0.0020 | N/A | 0.0043 | | |
| 65 | 0.3000 | 0.0030 | 0.0020 | N/A | 0.0047 | | |
| 66 | 0.4000 | 0.0030 | 0.0020 | N/A | 0.0050 | | |
| 67 | 0.4000 | 0.0030 | 0.0020 | N/A | 0.0054 | | |
| 68 | 0.3000 | 0.0030 | 0.0020 | N/A | 0.0058 | | |
| 69 | 0.3000 | 0.0030 | 0.0020 | N/A | 0.0062 | | |
| 70 | 1.0000 | 0.0000 | 0.0000 | N/A | 0.0000 | | |

* 100% probability of retirement is assumed at ages 62 and above with 38 or more years of service.



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San Mateo County Employees' Retirement Association

**Table A-8: Rate of Separation From Active Service
General Plan 3 – Male**

| Age | Service Retirement | Service Disability | Ordinary Disability | Service Death | Ordinary Death | Years of Service | Other Terminations |
|-----|--------------------|--------------------|---------------------|---------------|----------------|------------------|--------------------|
| 18 | 0.0000 | N/A | N/A | N/A | 0.0003 | 0 | 0.1300 |
| 19 | 0.0000 | N/A | N/A | N/A | 0.0003 | 1 | 0.1100 |
| 20 | 0.0000 | N/A | N/A | N/A | 0.0003 | 2 | 0.0900 |
| 21 | 0.0000 | N/A | N/A | N/A | 0.0003 | 3 | 0.0800 |
| 22 | 0.0000 | N/A | N/A | N/A | 0.0003 | 4 | 0.0700 |
| 23 | 0.0000 | N/A | N/A | N/A | 0.0003 | 5 | 0.0633 |
| 24 | 0.0000 | N/A | N/A | N/A | 0.0004 | 6 | 0.0567 |
| 25 | 0.0000 | N/A | N/A | N/A | 0.0004 | 7 | 0.0500 |
| 26 | 0.0000 | N/A | N/A | N/A | 0.0004 | 8 | 0.0470 |
| 27 | 0.0000 | N/A | N/A | N/A | 0.0004 | 9 | 0.0440 |
| 28 | 0.0000 | N/A | N/A | N/A | 0.0004 | 10 | 0.0410 |
| 29 | 0.0000 | N/A | N/A | N/A | 0.0004 | 11 | 0.0380 |
| 30 | 0.0000 | N/A | N/A | N/A | 0.0004 | 12 | 0.0350 |
| 31 | 0.0000 | N/A | N/A | N/A | 0.0004 | 13 | 0.0330 |
| 32 | 0.0000 | N/A | N/A | N/A | 0.0004 | 14 | 0.0310 |
| 33 | 0.0000 | N/A | N/A | N/A | 0.0004 | 15 | 0.0290 |
| 34 | 0.0000 | N/A | N/A | N/A | 0.0005 | 16 | 0.0270 |
| 35 | 0.0000 | N/A | N/A | N/A | 0.0006 | 17 | 0.0250 |
| 36 | 0.0000 | N/A | N/A | N/A | 0.0006 | 18 | 0.0230 |
| 37 | 0.0000 | N/A | N/A | N/A | 0.0007 | 19 | 0.0210 |
| 38 | 0.0000 | N/A | N/A | N/A | 0.0008 | 20 | 0.0190 |
| 39 | 0.0000 | N/A | N/A | N/A | 0.0008 | 21 | 0.0170 |
| 40 | 0.0000 | N/A | N/A | N/A | 0.0009 | 22 | 0.0150 |
| 41 | 0.0000 | N/A | N/A | N/A | 0.0010 | 23 | 0.0140 |
| 42 | 0.0000 | N/A | N/A | N/A | 0.0010 | 24 | 0.0130 |
| 43 | 0.0000 | N/A | N/A | N/A | 0.0011 | 25 | 0.0120 |
| 44 | 0.0000 | N/A | N/A | N/A | 0.0011 | 26 | 0.0110 |
| 45 | 0.0000 | N/A | N/A | N/A | 0.0012 | 27 | 0.0100 |
| 46 | 0.0000 | N/A | N/A | N/A | 0.0013 | 28 | 0.0100 |
| 47 | 0.0000 | N/A | N/A | N/A | 0.0014 | 29 | 0.0100 |
| 48 | 0.0000 | N/A | N/A | N/A | 0.0015 | 30 & Above | 0.0100 |
| 49 | 0.0000 | N/A | N/A | N/A | 0.0016 | | |
| 50 | 0.0000 | N/A | N/A | N/A | 0.0017 | | |
| 51 | 0.0000 | N/A | N/A | N/A | 0.0019 | | |
| 52 | 0.0000 | N/A | N/A | N/A | 0.0020 | | |
| 53 | 0.0000 | N/A | N/A | N/A | 0.0021 | | |
| 54 | 0.0000 | N/A | N/A | N/A | 0.0023 | | |
| 55 | 0.0300 | N/A | N/A | N/A | 0.0024 | | |
| 56 | 0.0300 | N/A | N/A | N/A | 0.0026 | | |
| 57 | 0.0300 | N/A | N/A | N/A | 0.0028 | | |
| 58 | 0.0300 | N/A | N/A | N/A | 0.0030 | | |
| 59 | 0.0300 | N/A | N/A | N/A | 0.0033 | | |
| 60 | 0.0300 | N/A | N/A | N/A | 0.0036 | | |
| 61 | 0.0600 | N/A | N/A | N/A | 0.0040 | | |
| 62 | 0.1500 | N/A | N/A | N/A | 0.0044 | | |
| 63 | 0.1000 | N/A | N/A | N/A | 0.0049 | | |
| 64 | 0.1500 | N/A | N/A | N/A | 0.0054 | | |
| 65 | 0.3000 | N/A | N/A | N/A | 0.0059 | | |
| 66 | 0.3000 | N/A | N/A | N/A | 0.0065 | | |
| 67 | 0.3000 | N/A | N/A | N/A | 0.0070 | | |
| 68 | 0.3000 | N/A | N/A | N/A | 0.0076 | | |
| 69 | 0.3000 | N/A | N/A | N/A | 0.0081 | | |
| 70 | 1.0000 | N/A | N/A | N/A | 0.0000 | | |

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San Mateo County Employees' Retirement Association

**Table A-9: Rate of Separation From Active Service
General Plan 3 – Female**

| Age | Service Retirement | Service Disability | Ordinary Disability | Service Death | Ordinary Death | Years of Service | Other Terminations |
|-----|--------------------|--------------------|---------------------|---------------|----------------|------------------|--------------------|
| 18 | 0.0000 | N/A | N/A | N/A | 0.0002 | 0 | 0.1200 |
| 19 | 0.0000 | N/A | N/A | N/A | 0.0002 | 1 | 0.1000 |
| 20 | 0.0000 | N/A | N/A | N/A | 0.0002 | 2 | 0.0850 |
| 21 | 0.0000 | N/A | N/A | N/A | 0.0002 | 3 | 0.0750 |
| 22 | 0.0000 | N/A | N/A | N/A | 0.0002 | 4 | 0.0700 |
| 23 | 0.0000 | N/A | N/A | N/A | 0.0002 | 5 | 0.0633 |
| 24 | 0.0000 | N/A | N/A | N/A | 0.0002 | 6 | 0.0567 |
| 25 | 0.0000 | N/A | N/A | N/A | 0.0002 | 7 | 0.0500 |
| 26 | 0.0000 | N/A | N/A | N/A | 0.0002 | 8 | 0.0455 |
| 27 | 0.0000 | N/A | N/A | N/A | 0.0002 | 9 | 0.0410 |
| 28 | 0.0000 | N/A | N/A | N/A | 0.0002 | 10 | 0.0365 |
| 29 | 0.0000 | N/A | N/A | N/A | 0.0002 | 11 | 0.0320 |
| 30 | 0.0000 | N/A | N/A | N/A | 0.0002 | 12 | 0.0275 |
| 31 | 0.0000 | N/A | N/A | N/A | 0.0002 | 13 | 0.0270 |
| 32 | 0.0000 | N/A | N/A | N/A | 0.0002 | 14 | 0.0265 |
| 33 | 0.0000 | N/A | N/A | N/A | 0.0003 | 15 | 0.0260 |
| 34 | 0.0000 | N/A | N/A | N/A | 0.0003 | 16 | 0.0255 |
| 35 | 0.0000 | N/A | N/A | N/A | 0.0003 | 17 | 0.0250 |
| 36 | 0.0000 | N/A | N/A | N/A | 0.0004 | 18 | 0.0230 |
| 37 | 0.0000 | N/A | N/A | N/A | 0.0004 | 19 | 0.0210 |
| 38 | 0.0000 | N/A | N/A | N/A | 0.0005 | 20 | 0.0190 |
| 39 | 0.0000 | N/A | N/A | N/A | 0.0005 | 21 | 0.0170 |
| 40 | 0.0000 | N/A | N/A | N/A | 0.0006 | 22 | 0.0150 |
| 41 | 0.0000 | N/A | N/A | N/A | 0.0006 | 23 | 0.0140 |
| 42 | 0.0000 | N/A | N/A | N/A | 0.0006 | 24 | 0.0130 |
| 43 | 0.0000 | N/A | N/A | N/A | 0.0007 | 25 | 0.0120 |
| 44 | 0.0000 | N/A | N/A | N/A | 0.0008 | 26 | 0.0110 |
| 45 | 0.0000 | N/A | N/A | N/A | 0.0009 | 27 | 0.0100 |
| 46 | 0.0000 | N/A | N/A | N/A | 0.0009 | 28 | 0.0100 |
| 47 | 0.0000 | N/A | N/A | N/A | 0.0010 | 29 | 0.0100 |
| 48 | 0.0000 | N/A | N/A | N/A | 0.0011 | 30 & Above | 0.0100 |
| 49 | 0.0000 | N/A | N/A | N/A | 0.0012 | | |
| 50 | 0.0000 | N/A | N/A | N/A | 0.0013 | | |
| 51 | 0.0000 | N/A | N/A | N/A | 0.0014 | | |
| 52 | 0.0000 | N/A | N/A | N/A | 0.0016 | | |
| 53 | 0.0000 | N/A | N/A | N/A | 0.0017 | | |
| 54 | 0.0000 | N/A | N/A | N/A | 0.0018 | | |
| 55 | 0.0400 | N/A | N/A | N/A | 0.0020 | | |
| 56 | 0.0400 | N/A | N/A | N/A | 0.0021 | | |
| 57 | 0.0400 | N/A | N/A | N/A | 0.0023 | | |
| 58 | 0.0400 | N/A | N/A | N/A | 0.0025 | | |
| 59 | 0.0400 | N/A | N/A | N/A | 0.0028 | | |
| 60 | 0.0400 | N/A | N/A | N/A | 0.0030 | | |
| 61 | 0.0600 | N/A | N/A | N/A | 0.0033 | | |
| 62 | 0.1500 | N/A | N/A | N/A | 0.0036 | | |
| 63 | 0.1000 | N/A | N/A | N/A | 0.0039 | | |
| 64 | 0.1500 | N/A | N/A | N/A | 0.0043 | | |
| 65 | 0.3000 | N/A | N/A | N/A | 0.0047 | | |
| 66 | 0.3000 | N/A | N/A | N/A | 0.0050 | | |
| 67 | 0.3000 | N/A | N/A | N/A | 0.0054 | | |
| 68 | 0.3000 | N/A | N/A | N/A | 0.0058 | | |
| 69 | 0.3000 | N/A | N/A | N/A | 0.0062 | | |
| 70 | 1.0000 | N/A | N/A | N/A | 0.0000 | | |

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San Mateo County Employees' Retirement Association

**Table A-10: Rate of Separation From Active Service
Safety & Probation Plans – Male**

| Age | Plans 1, 2, 4 Service Retirement* | Plans 5, 6 Service Retirement** | Service Disability | Ordinary Disability | Service Death | Ordinary Death | Years of Service | Other Terminations |
|-----|---|---------------------------------------|-----------------------|------------------------|------------------|-------------------|---------------------|-----------------------|
| 18 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0003 | 0 | 0.0700 |
| 19 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0003 | 1 | 0.0650 |
| 20 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0003 | 2 | 0.0450 |
| 21 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0003 | 3 | 0.0300 |
| 22 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0003 | 4 | 0.0250 |
| 23 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0003 | 5 | 0.0233 |
| 24 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0004 | 6 | 0.0217 |
| 25 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0004 | 7 | 0.0200 |
| 26 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0004 | 8 | 0.0185 |
| 27 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0004 | 9 | 0.0170 |
| 28 | 0.0000 | 0.0000 | 0.0016 | 0.0000 | 0.0010 | 0.0004 | 10 | 0.0155 |
| 29 | 0.0000 | 0.0000 | 0.0017 | 0.0000 | 0.0010 | 0.0004 | 11 | 0.0140 |
| 30 | 0.0000 | 0.0000 | 0.0018 | 0.0000 | 0.0010 | 0.0004 | 12 | 0.0125 |
| 31 | 0.0000 | 0.0000 | 0.0019 | 0.0000 | 0.0010 | 0.0004 | 13 | 0.0120 |
| 32 | 0.0000 | 0.0000 | 0.0020 | 0.0000 | 0.0010 | 0.0004 | 14 | 0.0115 |
| 33 | 0.0000 | 0.0000 | 0.0021 | 0.0000 | 0.0010 | 0.0004 | 15 | 0.0110 |
| 34 | 0.0000 | 0.0000 | 0.0022 | 0.0000 | 0.0010 | 0.0005 | 16 | 0.0105 |
| 35 | 0.0000 | 0.0000 | 0.0023 | 0.0000 | 0.0010 | 0.0006 | 17 | 0.0100 |
| 36 | 0.0000 | 0.0000 | 0.0024 | 0.0000 | 0.0010 | 0.0006 | 18 | 0.0080 |
| 37 | 0.0000 | 0.0000 | 0.0025 | 0.0000 | 0.0010 | 0.0007 | 19 | 0.0060 |
| 38 | 0.0000 | 0.0000 | 0.0026 | 0.0000 | 0.0010 | 0.0008 | 20 & Above | 0.0000 |
| 39 | 0.0000 | 0.0000 | 0.0027 | 0.0000 | 0.0010 | 0.0008 | | |
| 40 | 0.0000 | 0.0000 | 0.0028 | 0.0000 | 0.0010 | 0.0009 | | |
| 41 | 0.0000 | 0.0000 | 0.0029 | 0.0000 | 0.0010 | 0.0010 | | |
| 42 | 0.0000 | 0.0000 | 0.0030 | 0.0000 | 0.0010 | 0.0010 | | |
| 43 | 0.0000 | 0.0000 | 0.0031 | 0.0000 | 0.0010 | 0.0011 | | |
| 44 | 0.0000 | 0.0000 | 0.0032 | 0.0000 | 0.0010 | 0.0011 | | |
| 45 | 0.0000 | 0.0000 | 0.0033 | 0.0000 | 0.0010 | 0.0012 | | |
| 46 | 0.0000 | 0.0000 | 0.0034 | 0.0000 | 0.0010 | 0.0013 | | |
| 47 | 0.0000 | 0.0000 | 0.0035 | 0.0000 | 0.0010 | 0.0014 | | |
| 48 | 0.0000 | 0.0000 | 0.0038 | 0.0000 | 0.0010 | 0.0015 | | |
| 49 | 0.0000 | 0.0000 | 0.0041 | 0.0000 | 0.0010 | 0.0016 | | |
| 50 | 0.1500 | 0.0500 | 0.0044 | 0.0000 | 0.0010 | 0.0017 | | |
| 51 | 0.1500 | 0.0500 | 0.0047 | 0.0000 | 0.0010 | 0.0019 | | |
| 52 | 0.1500 | 0.0500 | 0.0050 | 0.0000 | 0.0010 | 0.0020 | | |
| 53 | 0.2000 | 0.0500 | 0.0064 | 0.0000 | 0.0010 | 0.0021 | | |
| 54 | 0.1300 | 0.1000 | 0.0078 | 0.0000 | 0.0010 | 0.0023 | | |
| 55 | 0.3000 | 0.3000 | 0.0092 | 0.0000 | 0.0010 | 0.0024 | | |
| 56 | 0.2500 | 0.3000 | 0.0106 | 0.0000 | 0.0010 | 0.0026 | | |
| 57 | 0.2000 | 0.3000 | 0.0120 | 0.0000 | 0.0010 | 0.0028 | | |
| 58 | 0.2500 | 0.3000 | 0.0108 | 0.0000 | 0.0010 | 0.0030 | | |
| 59 | 0.2500 | 0.3000 | 0.0096 | 0.0000 | 0.0010 | 0.0033 | | |
| 60 | 1.0000 | 1.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | | |

* 100% probability of retirement is assumed at ages 50 and above with 33 or more years of service for Safety and Probation Plans 1, 2, and 4.

** 100% probability of retirement is assumed at ages 55 and above with 33 or more years of service for Safety and Probation Plan 5, and at ages 55 and above with 38 or more years of service for Safety and Probation Plan 6.

San Mateo County Employees' Retirement Association

**Table A-11: Rate of Separation From Active Service
Safety & Probation Plans – Female**

| Age | Plans 1, 2, 4 Service Retirement* | Plans 5, 6 Service Retirement** | Service Disability | Ordinary Disability | Service Death | Ordinary Death | Years of Service | Other Terminations |
|-----|---|------------------------------------|-----------------------|------------------------|------------------|-------------------|---------------------|-----------------------|
| 18 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0002 | 0 | 0.0700 |
| 19 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0002 | 1 | 0.0650 |
| 20 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0002 | 2 | 0.0450 |
| 21 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0002 | 3 | 0.0300 |
| 22 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0002 | 4 | 0.0250 |
| 23 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0002 | 5 | 0.0233 |
| 24 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0002 | 6 | 0.0217 |
| 25 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0002 | 7 | 0.0200 |
| 26 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0002 | 8 | 0.0185 |
| 27 | 0.0000 | 0.0000 | 0.0015 | 0.0000 | 0.0010 | 0.0002 | 9 | 0.0170 |
| 28 | 0.0000 | 0.0000 | 0.0016 | 0.0000 | 0.0010 | 0.0002 | 10 | 0.0155 |
| 29 | 0.0000 | 0.0000 | 0.0017 | 0.0000 | 0.0010 | 0.0002 | 11 | 0.0140 |
| 30 | 0.0000 | 0.0000 | 0.0018 | 0.0000 | 0.0010 | 0.0002 | 12 | 0.0125 |
| 31 | 0.0000 | 0.0000 | 0.0019 | 0.0000 | 0.0010 | 0.0002 | 13 | 0.0120 |
| 32 | 0.0000 | 0.0000 | 0.0020 | 0.0000 | 0.0010 | 0.0002 | 14 | 0.0115 |
| 33 | 0.0000 | 0.0000 | 0.0021 | 0.0000 | 0.0010 | 0.0003 | 15 | 0.0110 |
| 34 | 0.0000 | 0.0000 | 0.0022 | 0.0000 | 0.0010 | 0.0003 | 16 | 0.0105 |
| 35 | 0.0000 | 0.0000 | 0.0023 | 0.0000 | 0.0010 | 0.0003 | 17 | 0.0100 |
| 36 | 0.0000 | 0.0000 | 0.0024 | 0.0000 | 0.0010 | 0.0004 | 18 | 0.0080 |
| 37 | 0.0000 | 0.0000 | 0.0025 | 0.0000 | 0.0010 | 0.0004 | 19 | 0.0060 |
| 38 | 0.0000 | 0.0000 | 0.0026 | 0.0000 | 0.0010 | 0.0005 | 20 & Above | 0.0000 |
| 39 | 0.0000 | 0.0000 | 0.0027 | 0.0000 | 0.0010 | 0.0005 | | |
| 40 | 0.0000 | 0.0000 | 0.0028 | 0.0000 | 0.0010 | 0.0006 | | |
| 41 | 0.0000 | 0.0000 | 0.0029 | 0.0000 | 0.0010 | 0.0006 | | |
| 42 | 0.0000 | 0.0000 | 0.0030 | 0.0000 | 0.0010 | 0.0006 | | |
| 43 | 0.0000 | 0.0000 | 0.0031 | 0.0000 | 0.0010 | 0.0007 | | |
| 44 | 0.0000 | 0.0000 | 0.0032 | 0.0000 | 0.0010 | 0.0008 | | |
| 45 | 0.0000 | 0.0000 | 0.0033 | 0.0000 | 0.0010 | 0.0009 | | |
| 46 | 0.0000 | 0.0000 | 0.0034 | 0.0000 | 0.0010 | 0.0009 | | |
| 47 | 0.0000 | 0.0000 | 0.0035 | 0.0000 | 0.0010 | 0.0010 | | |
| 48 | 0.0000 | 0.0000 | 0.0038 | 0.0000 | 0.0010 | 0.0011 | | |
| 49 | 0.0000 | 0.0000 | 0.0041 | 0.0000 | 0.0010 | 0.0012 | | |
| 50 | 0.1500 | 0.0500 | 0.0044 | 0.0000 | 0.0010 | 0.0013 | | |
| 51 | 0.1500 | 0.0500 | 0.0047 | 0.0000 | 0.0010 | 0.0014 | | |
| 52 | 0.1500 | 0.0500 | 0.0050 | 0.0000 | 0.0010 | 0.0016 | | |
| 53 | 0.2000 | 0.0500 | 0.0064 | 0.0000 | 0.0010 | 0.0017 | | |
| 54 | 0.1300 | 0.1000 | 0.0078 | 0.0000 | 0.0010 | 0.0018 | | |
| 55 | 0.3000 | 0.3000 | 0.0092 | 0.0000 | 0.0010 | 0.0020 | | |
| 56 | 0.2500 | 0.3000 | 0.0106 | 0.0000 | 0.0010 | 0.0021 | | |
| 57 | 0.2000 | 0.3000 | 0.0120 | 0.0000 | 0.0010 | 0.0023 | | |
| 58 | 0.2500 | 0.3000 | 0.0108 | 0.0000 | 0.0010 | 0.0025 | | |
| 59 | 0.2500 | 0.3000 | 0.0096 | 0.0000 | 0.0010 | 0.0028 | | |
| 60 | 1.0000 | 1.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | | |

* 100% probability of retirement is assumed at ages 50 and above with 33 or more years of service.

** 100% probability of retirement is assumed at ages 55 and above with 33 or more years of service for Safety and Probation Plan 5, and at ages 55 and above with 38 or more years of service for Safety and Probation Plan 6.

San Mateo County Employees' Retirement Association

Appendix B: Summary of Benefit Provisions



All actuarial calculations are based on our understanding of the statutes governing the *SamCERA* as contained in the County Employees Retirement Law (CERL) of 1937, with provisions adopted by the *SamCERA* Board, effective through June 30, 2010. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the State Code. This summary does not attempt to cover all the detailed provisions of the law.

**Government
Code Section**

MEMBERSHIP IN RETIREMENT PLANS

The County has established ten defined benefit plans based on a member's date of entry into *SamCERA*. Plans 1, 2 & 4 are open to all members depending on their date of entry. Only General members are eligible for Plan 3.

Employees of the Mosquito and Vector Control District are eligible for participation in all General retirement plans, except for Plan 3.

- Plan 1:** Employees hired on July 6, 1980 and earlier.
- Plan 2:** Employees hired after July 6, 1980 but on or before July 12, 1997.
- Plan 3:** General members may elect to participate in Plan 3. After five years of service, Plan 3 members can elect membership under the open contributory plan. Members currently working in a contributory plan with Plan 3 service may purchase an upgrade of their Plan 3 service. (31496)
- Plan 4:** Employees hired after July 12, 1997 and before August 7, 2011 (General members, except Plan 5 transfers; see below); before July 10, 2012 (Probation members); and before January 8, 2012 (Safety members).
- Plan 5:** General members hired on or after August 7, 2011, and Deputy Sheriffs hired on or after January 8, 2012. Probation members hired on or after July 10, 2011 and Safety members (except Deputy Sheriffs) hired on or after January 8, 2012 may elect this Plan.
After 10 years of service, General Plan 5 members can elect to transfer to Plan 4 and must pay the total actuarial equivalent cost of the increase in past service benefits at the date of transfer.
- Plan 6:** Probation members hired on or after July 10, 2011 and Safety members (except Deputy Sheriffs) hired on or after January 8, 2012 may elect this Plan.

MEMBER CONTRIBUTIONS

| | | |
|-----------------------------|---|--------------------|
| Basic: | Contributions are based on the entry age and class of each member and are required of all members in all plans except Plan 3. See section 5 for details on this calculation. Current member rates are shown in Appendix D. | |
| All Plans Except 3: | Contributions cease when general members are credited with 30 years of service in a contributory plan provided they were members of <i>SamCERA</i> or a reciprocal system on March 7, 1973, and continuously thereafter. All safety members are eligible for the 30-year cessation of contributions. This provision does not apply to cost-sharing contributions. | (31625.2, 31664.1) |
| | Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Retirement on amounts that have been on deposit for at least six months. | (31591, 31700) |
| Plan 3: | No member contributions are required under Plan 3. | |
| Cost-of-Living: | Members of the California Nurses Association in Plans 1, 2, and 4 contribute 25% of the cost of the COLA, in addition to other current member rates and cost sharing. | |
| Plans 1, 2, & 4: | General members (County and Courts) who rehire on or after August 7, 2011, Probation members who rehire on or after July 10, 2011, and Safety members who rehire on or after January 8, 2012 into Plans 1, 2, and 4 contribute 50% of the cost of COLA, in addition to other current member rates and cost sharing. | |
| | No other Plan 1, 2 & 4 members contribute towards the COLA benefit. | |
| Plans 5 & 6: | All members of Plans 5 and 6 contribute 50% of the cost of the COLA, in addition to other current member rates and cost sharing. | |
| Cost Sharing: | General members: | (31678.2) |
| All Plans Except 3: | Members of Plans 1, 2, and 4 (except SMCM&VCD) contribute an additional 3.0% cost sharing rate. | |
| | SMCM&VCD and General Plan 5 members do not participate in cost sharing. | |

MEMBER CONTRIBUTIONS (Continued)

Safety members (except Deputy Sheriffs):

Members of Plans 1, 2, and 4 contribute an additional 5.0% cost sharing rate.

Members of Plan 5 contribute an additional 4.0% cost sharing rate.

Safety Plan 6 members do not participate in cost sharing.

Safety members (Deputy Sheriffs only):

Members of all Plans contribute the following additional cost sharing rates based on age and service:

- | | |
|---------------------------------|------|
| If age 45 or older | 4.5% |
| If age is less than 45 | |
| ▪ Service is less than 5 years: | 3.0% |
| ▪ Service between 5 & 15 years: | 3.5% |
| ▪ Service is more than 15 years | 4.5% |

Probation members:

Members of all Plans except Plan 6 contribute an additional 3.5% cost sharing rate.

**Employer Pick-Up:
General members:**

The County provides a variety of refundable service-based employer pick-up of contribution programs for members in several of its unions. (31581.2)

Employer rates have not been adjusted to reflect the payment of the refundable employer pick-up of member contributions programs because the county payroll system captures these costs on a pay-as-you-go basis while processing each individual's biweekly pay.

Safety members:

The County provides a variety of refundable service-based employer pick-up of contribution programs for members in several of its unions. (31678.2)

Employer rates have not been adjusted to reflect the payment of the refundable employer pick-up of member contributions programs because the county payroll system captures these costs on a pay-as-you-go basis while processing each individual's biweekly pay.

MEMBER CONTRIBUTIONS (Continued)

| | | |
|---------------------------|---|------------|
| Probation members: | The County provides a variety of refundable service-based employer pick-up of contribution programs for members in several of its unions. | (31639.85) |
| | Employer rates have been adjusted to reflect the 20% non-refundable County pick-up, effective April 2006. | |

EMPLOYER CONTRIBUTIONS

| | |
|---|---|
| The employer (County or district) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation and recommendation of the actuary. | (31453, 31453.5, 31453.6, 31454 31581) |
|---|---|

SERVICE RETIREMENT ALLOWANCE

| | | |
|--|--|------------------------|
| <u>Eligibility:</u> All Plans Except 3*: | General members: Age 50 with 10 years of service; Any age with 30 years of service; or Age 70 regardless of service. | (31672) |
| | All Safety & Probation members: Age 50 with 10 years of service; Any age with 20 years of service. | (31663.25) |
| | <i>* For part-time employees, age 50 is replaced with age 55.</i> | (31672.1) |
| Plan 3: | Age 65 with 10 years of service. A reduced benefit is also payable at age 55 with 10 years of service. | (31496) |
| <u>Final Compensation:</u> Plans 1 & 2: | Monthly average of a member's highest 12 consecutive months of compensation. | (31462.1) |
| Plans 3, 4, 5, & 6: | Monthly average of a member's highest compensation during any three years. Years do not have to be consecutive. | [31462, 31496.3(d)] |
| <u>Compensation Limit:</u> All Plans: | The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the US Code. | (31671) |

SERVICE RETIREMENT ALLOWANCE (Continued)

Monthly

Allowance: **General members:** (31676.14)
Plans 1, 2, 4, & 5: $1/60 \times \text{Final Compensation} \times \text{General age factor} \times \text{years of service.}$ (31676.1)

Safety & Probation members:
 $3\% \times \text{Final Compensation} \times \text{Safety age factor} \times \text{years of service.}$ (31664.1)
 (31664.2)

Plan 6: **Safety & Probation members:**
 $2\% \times \text{Final Compensation} \times \text{Safety age factor} \times \text{years of service.}$ (31664)

Plan 3: **General members: (a)+(b)-(c) where:** (31496)
 (a) $2\% \times \text{Final Compensation} \times (\text{Years of Service, (up to 35 years), plus}$
 (b) $1\% \times \text{Final Compensation} \times \text{Years of Service in excess of 35 (up to 10)}$
 (c) $\text{Estimated Primary Insurance Amount (PIA)} \times \text{Years of Covered Service (up to 35) divided by 35.}$

The PIA is calculated based on certain assumptions specified by statute, and an assumed Social Security retirement age of 65.

If retirement occurs prior to age 65, benefit amount is adjusted by an actuarial equivalent factor (see Sample Plan Age Factors).

Percentage of Final Average Compensation at Sample Ages:

| <u>Plan</u> | <u>Age 50</u> | <u>Age 55</u> | <u>Age 60</u> | <u>Age 65 & Up</u> | |
|-------------------------|---------------|---------------|---------------|------------------------|------------|
| County General 1,2&4 | 1.475% | 1.948% | 2.440% | 2.611% | (31676.14) |
| SMCM&VCD* | 1.475% | 1.948% | 2.440% | 2.611% | (31676.14) |
| General Plan 3** | N/A | 0.780% | 1.220% | 2.000% | (31496) |
| General Plan 5 | 1.182% | 1.492% | 1.917% | 2.432% | (31676.1) |
| Safety/Probation 1,2,&4 | 3.000% | 3.000% | 3.000% | 3.000% | (31664.1) |
| Safety/Probation Plan 5 | 2.290% | 3.000% | 3.000% | 3.000% | (31664.2) |
| Safety/Probation Plan 6 | 2.000% | 2.620% | 2.620% | 2.620% | (31664) |

* As of the June 30, 2010 actuarial valuation, SMCM&VCD has adopted the same benefit structure as County General.

** Prior to reduction for PIA benefit. Actual percentage will be less.

SERVICE RETIREMENT ALLOWANCE (Continued)

Maximum

Allowance:

All Plans Except 3: Allowance may not exceed 100% of final compensation.

Plan 3: The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of Final Compensation for a member with 35 or less years of service, and cannot exceed 80% of Final Compensation if service exceeds 35 years. (31496)

Unmodified Retirement Allowance (Normal Form):

All Plans Except 3: Life Annuity payable to retired member with 60% continuance to an eligible survivor (or eligible children). (31760.1)

Plan 3: Life Annuity payable to retired member with 50% continuance to an eligible survivor (or eligible children). (31497.71)

Eligible survivor includes certain domestic partners. (31780.2)

Optional Retirement Allowance:

A member may elect to have the actuarial equivalent of the service or disability retirement allowance applied to a lesser retirement allowance during the retired member's life in order to provide an optional survivor allowance.

Option 1: Member's allowance is reduced to pay a cash refund of any unpaid annuity payments (up to the amount of the member's contributions at retirement) to the member's estate or to a beneficiary having an insurable interest in the life of the member. (31761)

Option 2: 100% of member's reduced allowance is payable to an eligible survivor or beneficiary having an insurable interest in the life of the member. (31762)

Option 3: 50% of member's reduced allowance is payable to an eligible survivor or beneficiary having an insurable interest in the life of the member. (31763)

Option 4: Other % of member's reduced allowance is payable to an eligible survivor or beneficiary(ies) having an insurable interest in the life of the member. (31764)

For Options 2, 3 or 4, the continuance will not be paid if the member revokes their election and names another beneficiary after retirement. (31782)

All Allowances: All allowances are made on a pro rata basis (based on the number of days in that month) if not in effect for the entire month of retirement. For deaths that occur mid-month, the full month's payment is made. (31600)

SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

| | | |
|---------------------------------------|--|---|
| <u>Eligibility:</u> | | |
| All Plans Except 3: | Any age or years of service; disability must result from occupational injury or disease, and member must be permanently incapacitated for the performance of duty. | (31720, 31720.5, 31720.6, 31720.7, 31720.9) |
| Plan 3: | Not available under Plan 3. | (31487) |
| <u>Monthly Allowance:</u> | Greater of (1) 50% of final compensation, and (2) the service retirement allowance, if eligible to retire. | (31727.4) |
| <u>Normal Form Of Payment:</u> | Life Annuity with 100% continuance to a surviving spouse (or eligible children). | (31760, 31786) |

RECIPROCAL SERVICE-CONNECTED DISABILITY ALLOWANCE

| | | |
|---------------------------------------|--|------------------|
| <u>Eligibility:</u> | | |
| All Plans Except 3: | Any member regardless of age or years of service who leaves their accumulated contributions on deposit and receives a disability retirement allowance from CalPERS or another '37 Act system. The member must be eligible for a reciprocal benefit and the disability must be service-connected. | (31837) |
| Plan 3: | Not available under Plan 3. | |
| <u>Monthly Allowance:</u> | Same as nonservice-connected disability, but in no case shall the allowance be greater than if all service was with one entity. | (31837, 31838.5) |
| <u>Normal Form of Payment:</u> | Life Annuity with 100% continuance to a surviving spouse (or eligible children). | (31760, 31786) |

NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility:

All Plans Except 3: Any age with five years of service and permanently incapacitated for the performance of duty. (31720, 31836)

Plan 3: Not available under Plan 3. (31487)

Monthly Allowance: The monthly allowance is equal to a service retirement allowance if the member is eligible to retire, otherwise allowance equals (a) or (b) where: (31726, 31726.5)

General Members: (a) 90% of 1/60th of Final Compensation x years of service, if member must rely on service in another retirement system in order to be eligible to retire, or allowance exceeds 1/3 of final compensation. (31727(a))

(b) 90% of 1/60th of Final Compensation x years of service projected to age 65, not to exceed 1/3 of Final Compensation. (31727(b))

Safety Members: 1/60 is replaced by 1/50 and age 65 is replaced by age 55 in (a) and (b) above. (31727.2)

Normal Form Of Payment: Life Annuity with 60% continuance to a surviving spouse (or eligible children). (31760.1)

SERVICE-CONNECTED DEATH BENEFITS

Eligibility

All Plans Except 3: Active members who die in service as a result of injury or disease arising out of and in the course of employment. (31787)

Plan 3: Not available under Plan 3. (31487)

Monthly Allowance: An annual death allowance is payable monthly to an eligible survivor (or eligible children) equal to 50% of the member's Final Compensation. (31787)

SERVICE-CONNECTED DEATH BENEFITS (Continued)

Optional Combined Benefit: (31781.3)

In lieu of the monthly allowance above, an eligible survivor may elect:

- (a) A lump sum equal to 1/12 of the compensation earned in the preceding 12 months x years of service (benefit not to exceed 50% of the 12 months' compensation), plus
- (b) A monthly payment equal to 50% of the member's Final Compensation, reduced by a monthly amount, which is the actuarial equivalent of (a) above based on the age of eligible survivor.

Death Benefit (Lump Sum): (31781)

The member's normal contributions and interest, plus 1/12 of the compensation earned in the preceding 12 months x years of service (benefit not to exceed 50% of the 12 months' compensation).

Additional Allowance for Children: (31787.5)

25% of death allowance (whether or not the monthly allowance or combined benefit is chosen) for one child, 40% for two children, and 50% for three or more children.

Additional Amount for Spouse of Safety Member: (31787.6)

An eligible survivor of a safety member is also entitled to receive a lump-sum death benefit equal to 12 x monthly rate of compensation at the time of member's death in addition to all other benefits.

Note: For valuation purposes, an unmarried member is assumed to take the lump sum benefit. A married member is assumed to take the monthly allowance or the lump sum, whichever is more valuable.

NONSERVICE-CONNECTED DEATH BENEFITS

Eligibility:

All Plans Except 3: Active members who die while in service or while physically or mentally incapacitated for the performance of duty. (31780)

Plan 3: Not available under Plan 3.

Death Benefit (Lump Sum): (31781)

The member's normal contributions and interest, plus 1/12 of the Compensation earned in preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation).

Optional Death Benefit:

In lieu of the lump-sum death benefit, several optional death benefits are available to provide flexibility to survivors, as follows.

First Optional Death Benefit: (31781.1)

If a member who would have been entitled to a nonservice-connected disability retirement allowance dies prior to retirement as a result of such disability, the eligible survivor (or eligible children) may elect to receive an optional death allowance equal to 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death.

Second Optional Death Benefit: (31781.2, 31765.2)

If a member dies prior to reaching the minimum retirement age but has 10 or more years of service, an eligible survivor (or eligible children) may elect to leave the amount of the death benefit on deposit until the earliest date the member could have retired and at that time receive the allowance provided for in 31765.2 (a 60% continuance).

Third Optional Death Benefit:

An eligible survivor of a member who dies after five years of service may elect a combined benefit equal to:

(a) A lump sum equal to 1/12 of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus (31781.3)

(b) A monthly payment equal to 60% of the monthly retirement allowance to which the member would have been entitled if the member retired or had been retired for a nonservice-connected disability as of the date of death, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of the eligible survivor. (31781.1)

NONSERVICE-CONNECTED DEATH BENEFITS (Continued)

Fourth Optional Death Benefit:

If a member dies while eligible for a service retirement and the eligible survivor is designated as beneficiary, the spouse (or eligible children) may elect to receive 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death. (31765.1)

Note for Third and Fourth Optional Death Benefits: In order to leave the eligible survivor the greatest benefit, the member is assumed to have retired for nonservice-connected disability, elected the Option 2 retirement allowance, and then died the next day.

Fifth Optional Death Benefit:

If a member dies while eligible for a service retirement and the eligible survivor is designated as beneficiary and survives the member by not less than 30 days the spouse (or eligible children) may elect to receive the same retirement allowance as the spouse would have received had the member retired on the date of death and selected Option 3. (31765)

Note: For valuation purposes, an unmarried member is assumed to take the lump sum benefit. A married member is assumed to receive an annuity or a lump-sum, whichever is more valuable. The annuity is equal to the Option 2-100% Continuance calculation for the larger of either (1) a non-service connected disability benefit or (2) the member's earned service retirement benefit (if eligible).

DEFERRED VESTED BENEFITS

Eligibility:

All Plans Except 3: Age 50 with 10 years of membership. Member contributions must be left on deposit and the member must have terminated with five years of service or entered a reciprocal agency. Members are eligible for service retirement when they would have reached eligibility if they would have remained in an active position. (31700)

Plan 3: Age 55 with 10 years of service. (31496)

Monthly Allowance:

All Plans Except 3: Same as service retirement allowance; payable anytime after the member would have been eligible for service retirement. (31703, 31704, 31705)

If a terminated member dies before the effective date of the deferred retirement allowance, the member's accumulated contributions are paid to the estate or to the named beneficiary. (31702)

Plan 3: Same as service retirement allowance at normal retirement age 65 or in an actuarially equivalent reduced amount at early retirement, after age 55. (31496)

No benefit is paid for death while deferred.

COST-OF-LIVING INCREASES

| | | |
|--|--|---|
| <p>Cost-of-living increases (or decreases) are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances effective April 1, based on changes in the Consumer Price Index (CPI) from the previous January 1 to the current January 1, to the nearest ½ of 1%.</p> | | <p>(31870, 31870.1, 31870.2, 31874.4)</p> |
| Plan 1: | <p>General & Safety Members (and their beneficiaries) are limited to a maximum 5% cost-of-living increase.</p> | (31870.2) |
| | <p>Probation Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase.</p> | (31870.1) |
| Plan 2: | <p>All members Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase.</p> | (31870.1) |
| Plan 3: | <p>Plan 3 does not have a COLA.</p> | (31487) |
| Plan 4, 5, & 6: | <p>All members Members (and their beneficiaries) are limited to a maximum 2% cost-of-living increase.</p> | (31870) |
| COLA Bank | | |
| Plan 1: | <p>When the CPI exceeds the applicable percentage (3% or 5%), the difference between the actual CPI and the maximum cost-of-living increase given in any year is credited to the COLA Accumulation (COLA Bank). It may be used in future years to provide cost-of-living increases when the CPI falls below the applicable percentage.</p> | (31870.1, 31870.2) |
| Plans 2,4,5,&6: | <p>Plans 2, 4, 5, and 6 do not have a COLA bank.</p> | (31874.4) |

San Mateo County Employees' Retirement Association

Appendix C: Valuation Data and Schedules



Data on *SamCERA* membership as of June 30, 2012 was supplied to us by the system staff. On the following table, Exhibit C-1, we present a summary of *SamCERA* membership at June 30, 2012 for active members. Similar information is shown in Exhibit C-2 for deferred vested members and Exhibits C-3a and C-3b for retired members.

Note that salary amounts shown are annualized amounts based on the biweekly pay for the period prior to the valuation date. If the annualized amount was less than the total prior earnings, total prior year earnings were used.

Additional statistical data on both active and retired members is shown in the following tables.

Exhibit C-4: Age, Service, Compensation Distribution of Active Members

Exhibit C-5: Age, Retirement Year, Benefit Amount and Plan Distribution of Retired Members

Exhibits C-4 and C-5 are shown for all plans combined as well as for classification separately.

San Mateo County Employees' Retirement Association

Exhibit C-1: SamCERA Membership – Active Members as of June 30, 2012

| | Total Number | Annual Salary | Average Age | Average Monthly Salary | Average Credited Service |
|--------------------------|-----------------|-----------------------|----------------|------------------------------|--------------------------------|
| General Members | | | | | |
| Plan 1 | 49 | \$ 4,611,484 | 60.6 | \$ 7,843 | 32.0 |
| Plan 2 | 995 | 87,636,375 | 53.4 | 7,340 | 21.4 |
| Plan 3 | 139 | 10,237,776 | 44.7 | 6,138 | 9.1 |
| Plan 4 | 3,024 | 238,762,712 | 44.5 | 6,580 | 7.6 |
| Plan 5 | 154 | 10,717,342 | 38.6 | 5,799 | 0.4 |
| Total | 4,361 | \$ 351,965,689 | 46.5 | \$ 6,726 | 10.8 |
| Safety Members | | | | | |
| Plan 1 | 4 | \$ 605,963 | 62.3 | \$ 12,624 | 33.5 |
| Plan 2 | 114 | 14,899,778 | 49.7 | 10,892 | 21.1 |
| Plan 4 | 303 | 33,999,539 | 42.1 | 9,351 | 7.8 |
| Plan 5 | 14 | 1,623,987 | 38.4 | 9,667 | 0.3 |
| Total | 435 | \$ 51,129,267 | 44.1 | \$ 9,795 | 11.3 |
| Probation Members | | | | | |
| Plan 1 | 1 | \$ 79,420 | 61.0 | \$ 6,618 | 29.9 |
| Plan 2 | 70 | 6,261,679 | 47.1 | 7,454 | 19.4 |
| Plan 4 | 224 | 17,972,462 | 39.3 | 6,686 | 9.4 |
| Plan 5 | 3 | 178,148 | 31.7 | 4,949 | 0.4 |
| Plan 6 | 1 | 62,874 | 33.0 | 5,239 | 0.0 |
| Total | 299 | \$ 24,554,583 | 41.1 | \$ 6,844 | 11.7 |
| Grand Total | 5,095 | \$ 427,649,539 | 46.0 | \$ 6,995 | 10.9 |

San Mateo County Employees' Retirement Association

Exhibit C-2: SamCERA Membership – Deferred Vested Members as of June 30, 2012

| | Number | Average Age |
|---------------------------------|--------|----------------|
| <i>General Members</i> | | |
| Plan 1 | 26 | 59.8 |
| Plan 2 | 449 | 51.2 |
| Plan 3 | 117 | 52.0 |
| Plan 4 | 508 | 45.1 |
| Total | 1,100 | 48.7 |
| <i>Safety Members</i> | | |
| Plan 1 | 1 | 61.0 |
| Plan 2 | 30 | 47.7 |
| Plan 4 | 36 | 44.9 |
| Total | 67 | 46.4 |
| <i>Probation Members</i> | | |
| Plan 1 | - | - |
| Plan 2 | 20 | 45.2 |
| Plan 4 | 25 | 40.1 |
| Total | 45 | 42.4 |
| <i>Grand Total</i> | 1,212 | 48.3 |

**San Mateo County Employees'
Retirement Association**

Exhibit C-3a: SamCERA Membership – Retired Members as of June 30, 2012

| | <u>Number</u> | <u>Average Age</u> | <u>Monthly Allowance</u> | <u>Average Monthly Benefit</u> |
|--------------------------|---------------|--------------------|--------------------------|--------------------------------|
| General Members | | | | |
| Plan 1 | 1,910 | 77.6 | \$ 5,265,578 | \$ 2,757 |
| Plan 2 | 1,489 | 66.5 | 3,281,542 | 2,204 |
| Plan 3 | 110 | 69.3 | 98,725 | 897 |
| Plan 4 | 210 | 63.2 | 331,482 | 1,578 |
| Total | 3,719 | 72.1 | \$ 8,977,328 | \$ 2,414 |
| Safety Members | | | | |
| Plan 1 | 285 | 70.1 | \$ 1,731,739 | \$ 6,076 |
| Plan 2 | 126 | 58.2 | 759,587 | 6,028 |
| Plan 4 | 17 | 51.4 | 52,492 | 3,088 |
| Total | 428 | 65.8 | \$ 2,543,818 | \$ 5,944 |
| Probation Members | | | | |
| Plan 1 | 72 | 68.5 | \$ 349,159 | \$ 4,849 |
| Plan 2 | 46 | 60.5 | 179,083 | 3,893 |
| Plan 4 | 10 | 66.2 | 21,068 | 2,107 |
| Total | 128 | 65.4 | \$ 549,311 | \$ 4,291 |
| Grand Total | 4,275 | 71.2 | \$ 12,070,457 | \$ 2,823 |

**San Mateo County Employees'
Retirement Association**

**Exhibit C-3b: SamCERA Membership – Retired Members as of June 30, 2012
Subtotaled by Class and Retirement Type**

| <u>Plan</u> | <u>Retirement Type</u> | <u>Number</u> | <u>Monthly Benefit</u> | <u>Average Monthly Benefit</u> |
|-------------------------|----------------------------|---------------|----------------------------|--|
| General Plans: | | | | |
| | Healthy | 2,963 | \$ 7,538,833 | \$ 2,544 |
| | Disabled | 278 | 640,139 | 2,303 |
| | Beneficiaries | 478 | 798,355 | 1,670 |
| | Total | 3,719 | \$ 8,977,328 | \$ 2,414 |
| Safety Plans: | | | | |
| | Healthy | 273 | \$ 1,862,004 | \$ 6,821 |
| | Disabled | 92 | 443,111 | 4,816 |
| | Beneficiaries | 63 | 238,703 | 3,789 |
| | Total | 428 | \$ 2,543,818 | \$ 5,944 |
| Probation Plans: | | | | |
| | Healthy | 119 | \$ 514,346 | \$ 4,322 |
| | Disabled | 4 | 11,278 | 2,820 |
| | Beneficiaries | 5 | 23,686 | 4,737 |
| | Total | 128 | \$ 549,311 | \$ 4,291 |
| Grand Totals | | | | |
| | Healthy | 3,355 | \$ 9,915,184 | \$ 2,955 |
| | Disabled | 374 | 1,094,529 | 2,927 |
| | Beneficiaries | 546 | 1,060,744 | 1,943 |
| | Total | 4,275 | \$ 12,070,457 | \$ 2,823 |

San Mateo County Employees' Retirement Association

**Exhibit C-4: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2012
All Members**

| Count | | | | | | | | | | |
|--------------------|-------------------------|-----|-------|-------|-------|-------|-------|-------|---------|------------------------|
| Age | Years of Service | | | | | | | | | Total Count |
| | 0-1 | 1-5 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35&Over | |
| Under 25 | 12 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18 |
| 25-29 | 39 | 135 | 55 | 3 | 0 | 0 | 0 | 0 | 0 | 232 |
| 30-34 | 54 | 205 | 239 | 57 | 0 | 0 | 0 | 0 | 0 | 555 |
| 35-39 | 30 | 166 | 308 | 232 | 20 | 0 | 0 | 0 | 0 | 756 |
| 40-44 | 29 | 133 | 257 | 253 | 108 | 20 | 1 | 0 | 0 | 801 |
| 45-49 | 23 | 87 | 169 | 212 | 106 | 110 | 26 | 0 | 0 | 733 |
| 50-54 | 15 | 88 | 170 | 182 | 102 | 119 | 71 | 22 | 0 | 769 |
| 55-59 | 12 | 74 | 172 | 127 | 75 | 100 | 69 | 36 | 5 | 670 |
| 60-64 | 7 | 35 | 117 | 83 | 40 | 42 | 28 | 25 | 15 | 392 |
| 65 & Over | 4 | 9 | 41 | 41 | 23 | 25 | 16 | 5 | 5 | 169 |
| Total Count | 225 | 938 | 1,528 | 1,190 | 474 | 416 | 211 | 88 | 25 | 5,095 |

| Compensation | | | | | | | | | | |
|-------------------------------------|-------------------------|---------|--------|--------|--------|--------|--------|--------|---------|--------------------------|
| Age | Years of Service | | | | | | | | | Average Comp. |
| | 0-1 | 1-2 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35&Over | |
| Under 25 | 51,260 | 52,673 | - | - | - | - | - | - | - | 51,731 |
| 25-29 | 61,536 | 65,437 | 66,353 | 52,031 | - | - | - | - | - | 64,825 |
| 30-34 | 79,064 | 76,200 | 77,644 | 69,534 | - | - | - | - | - | 76,416 |
| 35-39 | 76,319 | 80,350 | 83,492 | 82,741 | 80,068 | - | - | - | - | 82,196 |
| 40-44 | 88,981 | 83,038 | 86,282 | 87,787 | 92,240 | 90,006 | 98,550 | - | - | 87,228 |
| 45-49 | 71,823 | 85,213 | 82,201 | 89,373 | 90,492 | 95,174 | 89,364 | - | - | 87,707 |
| 50-54 | 84,379 | 81,988 | 83,895 | 82,484 | 93,797 | 94,935 | 87,856 | 92,674 | - | 86,991 |
| 55-59 | 79,871 | 83,007 | 81,890 | 81,240 | 95,212 | 93,446 | 87,867 | 91,804 | 80,175 | 86,206 |
| 60-64 | 67,617 | 83,310 | 84,761 | 81,777 | 95,511 | 95,406 | 94,507 | 96,086 | 78,190 | 87,098 |
| 65 & Over | 141,189 | 103,123 | 72,208 | 81,546 | 86,927 | 78,131 | 89,796 | 68,080 | 129,306 | 83,864 |
| Avg. Annual Compensation | 75,860 | 78,644 | 81,946 | 83,977 | 92,159 | 93,441 | 89,126 | 91,890 | 88,810 | 83,935 |



This work product was prepared solely for SamCERA for the purposes described herein and 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

San Mateo County Employees' Retirement Association

**Exhibit C-4a: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2012
General Members**

| Count | | | | | | | | | | | |
|--------------------|-------------------------|-----|-------|-------|-------|-------|-------|-------|---------|---|------------------------|
| Age | Years of Service | | | | | | | | | | Total Count |
| | 0-1 | 1-5 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35&Over | | |
| Under 25 | 11 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 |
| 25-29 | 35 | 114 | 46 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 198 |
| 30-34 | 48 | 188 | 185 | 48 | 0 | 0 | 0 | 0 | 0 | 0 | 469 |
| 35-39 | 27 | 150 | 253 | 163 | 16 | 0 | 0 | 0 | 0 | 0 | 609 |
| 40-44 | 22 | 120 | 221 | 186 | 71 | 16 | 1 | 0 | 0 | 0 | 637 |
| 45-49 | 23 | 76 | 154 | 158 | 79 | 81 | 22 | 0 | 0 | 0 | 593 |
| 50-54 | 12 | 78 | 162 | 157 | 90 | 102 | 58 | 20 | 0 | 0 | 679 |
| 55-59 | 12 | 64 | 163 | 123 | 68 | 88 | 65 | 36 | 5 | 0 | 624 |
| 60-64 | 7 | 33 | 111 | 78 | 37 | 41 | 26 | 22 | 15 | 0 | 370 |
| 65 & Over | 4 | 9 | 41 | 39 | 23 | 25 | 16 | 5 | 3 | 0 | 165 |
| Total Count | 201 | 838 | 1,336 | 955 | 384 | 353 | 188 | 83 | 23 | 0 | 4,361 |

| Compensation | | | | | | | | | | | |
|-------------------------------------|-------------------------|---------|--------|--------|--------|--------|--------|--------|---------|---|--------------------------|
| Age | Years of Service | | | | | | | | | | Average Comp. |
| | 0-1 | 1-2 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35&Over | | |
| Under 25 | 49,313 | 52,673 | - | - | - | - | - | - | - | - | 50,499 |
| 25-29 | 57,408 | 61,263 | 61,774 | 52,031 | - | - | - | - | - | - | 60,560 |
| 30-34 | 80,024 | 75,146 | 74,181 | 63,617 | - | - | - | - | - | - | 74,084 |
| 35-39 | 71,204 | 78,458 | 81,191 | 78,600 | 73,546 | - | - | - | - | - | 79,181 |
| 40-44 | 83,849 | 79,293 | 83,528 | 83,390 | 84,927 | 83,006 | 98,550 | - | - | - | 82,867 |
| 45-49 | 71,823 | 81,507 | 80,775 | 85,668 | 82,331 | 85,454 | 81,167 | - | - | - | 82,686 |
| 50-54 | 75,475 | 77,084 | 82,649 | 79,321 | 92,046 | 90,829 | 80,371 | 88,296 | - | - | 83,560 |
| 55-59 | 79,871 | 77,736 | 80,270 | 80,383 | 93,483 | 88,833 | 85,213 | 91,804 | 80,175 | - | 83,852 |
| 60-64 | 67,617 | 81,023 | 83,314 | 80,220 | 94,315 | 94,985 | 91,934 | 89,941 | 78,190 | - | 85,346 |
| 65 & Over | 141,189 | 103,123 | 72,208 | 80,443 | 86,927 | 78,131 | 89,796 | 68,080 | 123,795 | - | 82,980 |
| Avg. Annual Compensation | 73,205 | 75,770 | 79,855 | 80,422 | 88,127 | 88,327 | 84,637 | 89,036 | 84,570 | - | 80,708 |



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San Mateo County Employees' Retirement Association

**Exhibit C-4b: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2012
Safety Members**

| Count | | | | | | | | | | |
|--------------------|-------------------------|-----|-----|-------|-------|-------|-------|-------|---------|--------------------|
| Age | Years of Service | | | | | | | | | Total Count |
| | 0-1 | 1-5 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35&Over | |
| Under 25 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 25-29 | 4 | 12 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 22 |
| 30-34 | 2 | 9 | 25 | 6 | 0 | 0 | 0 | 0 | 0 | 42 |
| 35-39 | 3 | 12 | 26 | 25 | 2 | 0 | 0 | 0 | 0 | 68 |
| 40-44 | 7 | 13 | 23 | 32 | 18 | 3 | 0 | 0 | 0 | 96 |
| 45-49 | 0 | 10 | 8 | 31 | 16 | 17 | 3 | 0 | 0 | 85 |
| 50-54 | 3 | 10 | 5 | 14 | 8 | 14 | 8 | 2 | 0 | 64 |
| 55-59 | 0 | 10 | 8 | 1 | 4 | 9 | 3 | 0 | 0 | 35 |
| 60-64 | 0 | 2 | 6 | 4 | 2 | 1 | 1 | 2 | 0 | 18 |
| 65 & Over | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 2 | 4 |
| Total Count | 20 | 78 | 107 | 115 | 50 | 44 | 15 | 4 | 2 | 435 |

| Compensation | | | | | | | | | | |
|---------------------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------------------|
| Age | Years of Service | | | | | | | | | Average Comp. |
| | 0-1 | 1-2 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35&Over | |
| Under 25 | 72,684 | - | - | - | - | - | - | - | - | 72,684 |
| 25-29 | 97,656 | 100,396 | 99,627 | - | - | - | - | - | - | 99,688 |
| 30-34 | 93,649 | 103,312 | 106,979 | 109,891 | - | - | - | - | - | 105,975 |
| 35-39 | 122,346 | 108,024 | 111,412 | 110,780 | 123,292 | - | - | - | - | 111,414 |
| 40-44 | 105,107 | 117,607 | 117,187 | 118,068 | 125,338 | 127,115 | - | - | - | 118,495 |
| 45-49 | - | 114,361 | 115,096 | 114,292 | 133,873 | 140,288 | 148,725 | - | - | 124,476 |
| 50-54 | 119,992 | 120,234 | 128,323 | 113,946 | 116,412 | 123,282 | 135,890 | 136,448 | - | 122,132 |
| 55-59 | - | 116,744 | 115,688 | 172,283 | 124,429 | 141,090 | 141,627 | - | - | 127,361 |
| 60-64 | - | 121,047 | 111,519 | 112,172 | 106,647 | 112,667 | 176,492 | 131,342 | - | 118,058 |
| 65 & Over | - | - | - | 103,054 | - | - | - | - | 137,572 | 120,313 |
| Avg. Annual Compensation | 105,669 | 111,734 | 112,348 | 114,543 | 125,739 | 133,515 | 142,311 | 133,895 | 137,572 | 117,539 |

San Mateo County Employees' Retirement Association

**Exhibit C-4c: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2012
Probation Members**

| Count | | | | | | | | | | | |
|--------------------|-------------------------|-----|-----|-------|-------|-------|-------|-------|---------|------------------------|-----|
| Age | Years of Service | | | | | | | | | Total Count | |
| | 0-1 | 1-5 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35&Over | | |
| Under 25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25-29 | 0 | 9 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 |
| 30-34 | 4 | 8 | 29 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 44 |
| 35-39 | 0 | 4 | 29 | 44 | 2 | 0 | 0 | 0 | 0 | 0 | 79 |
| 40-44 | 0 | 0 | 13 | 35 | 19 | 1 | 0 | 0 | 0 | 0 | 68 |
| 45-49 | 0 | 1 | 7 | 23 | 11 | 12 | 1 | 0 | 0 | 0 | 55 |
| 50-54 | 0 | 0 | 3 | 11 | 4 | 3 | 5 | 0 | 0 | 0 | 26 |
| 55-59 | 0 | 0 | 1 | 3 | 3 | 3 | 1 | 0 | 0 | 0 | 11 |
| 60-64 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 0 | 4 |
| 65 & Over | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Count | 4 | 22 | 85 | 120 | 40 | 19 | 8 | 1 | 0 | | 299 |

| Compensation | | | | | | | | | | | |
|-------------------------------------|-------------------------|--------|--------|--------|---------|---------|--------|---------|---------|--------------------------|---------|
| Age | Years of Service | | | | | | | | | Average Comp. | |
| | 0-1 | 1-2 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35&Over | | |
| Under 25 | - | - | - | - | - | - | - | - | - | - | - |
| 25-29 | - | 71,694 | 70,019 | - | - | - | - | - | - | - | 71,275 |
| 30-34 | 60,256 | 70,460 | 74,446 | 83,503 | - | - | - | - | - | - | 73,049 |
| 35-39 | - | 68,281 | 78,531 | 82,150 | 89,027 | - | - | - | - | - | 80,293 |
| 40-44 | - | - | 78,433 | 83,465 | 88,211 | 90,682 | - | - | - | - | 83,935 |
| 45-49 | - | 75,440 | 75,987 | 81,239 | 86,007 | 96,870 | 91,603 | - | - | - | 85,018 |
| 50-54 | - | - | 77,105 | 87,573 | 87,963 | 102,257 | 97,827 | - | - | - | 90,092 |
| 55-59 | - | - | 75,669 | 86,059 | 95,434 | 85,843 | 99,044 | - | - | - | 88,793 |
| 60-64 | - | - | - | 81,579 | 117,519 | - | 79,420 | 160,763 | - | - | 109,820 |
| 65 & Over | - | - | - | - | - | - | - | - | - | - | - |
| Avg. Annual Compensation | 60,256 | 70,795 | 76,529 | 82,983 | 88,895 | 95,654 | 94,900 | 160,763 | - | | 82,122 |

San Mateo County Employees' Retirement Association

**Exhibit C-5: Distribution of Retired Members by Age and Retirement Year as of June 30, 2012
All Plans Combined**

| Age | Retirement Year | | | | | | | | Total Count | Average Monthly Benefit |
|--------------------------------|-----------------|----------|----------|----------|----------|----------|----------|----------|----------------|-------------------------------|
| | Pre-1979 | 1980-84 | 1985-89 | 1990-94 | 1995-99 | 2000-04 | 2005-09 | 2010-14 | | |
| Under 35 | - | 1 | - | - | 4 | 2 | - | - | 7 | \$ 1,291 |
| 35-39 | - | - | - | - | - | 1 | 4 | 2 | 7 | 2,287 |
| 40-44 | - | - | 1 | 1 | - | 4 | 6 | 4 | 16 | 2,388 |
| 45-49 | - | - | 1 | 1 | 5 | 6 | 10 | 1 | 24 | 3,014 |
| 50-54 | 1 | - | 1 | 2 | 11 | 15 | 39 | 82 | 151 | 2,810 |
| 55-59 | - | - | 1 | 5 | 10 | 52 | 162 | 118 | 348 | 3,143 |
| 60-64 | - | 2 | 6 | 23 | 49 | 136 | 277 | 173 | 666 | 3,456 |
| 65-69 | 3 | 5 | 9 | 39 | 124 | 210 | 354 | 117 | 861 | 3,569 |
| 70-74 | 5 | 3 | 29 | 111 | 173 | 205 | 136 | 37 | 699 | 2,780 |
| 75-79 | 13 | 23 | 60 | 111 | 148 | 80 | 22 | 4 | 461 | 2,415 |
| 80-84 | 13 | 61 | 81 | 143 | 75 | 18 | 6 | 4 | 401 | 2,052 |
| 85-89 | 66 | 90 | 129 | 62 | 13 | 2 | 2 | - | 364 | 1,889 |
| 90-94 | 55 | 87 | 56 | 11 | - | - | - | - | 209 | 1,841 |
| 95-99 | 34 | 18 | - | 1 | 1 | - | - | - | 54 | 1,375 |
| 100 & Over | 6 | - | - | - | - | 1 | - | - | 7 | 1,316 |
| Total Count | 196 | 290 | 374 | 510 | 613 | 732 | 1,018 | 542 | 4,275 | |
| Avg Monthly Benefit | \$ 1,700 | \$ 1,564 | \$ 2,037 | \$ 2,145 | \$ 2,297 | \$ 2,982 | \$ 3,817 | \$ 3,602 | | \$ 2,823 |



This work product was prepared solely for *SamCERA* for the purposes described herein and 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

San Mateo County Employees' Retirement Association

**Exhibit C-5a: Distribution of Retired Members by Age and Retirement Year as of June 30, 2012
General Plans Combined**

| Age | Retirement Year | | | | | | | | Total Count | Average Monthly Benefit |
|--------------------------------|-----------------|----------|----------|----------|----------|----------|----------|----------|----------------|-------------------------------|
| | Pre-1979 | 1980-84 | 1985-89 | 1990-94 | 1995-99 | 2000-04 | 2005-09 | 2010-14 | | |
| Under 35 | - | 1 | - | - | 4 | 2 | - | - | 7 | \$ 1,291 |
| 35-39 | - | - | - | - | - | 1 | 2 | 2 | 5 | 3,201 |
| 40-44 | - | - | 1 | 1 | - | 2 | 4 | 3 | 11 | 1,786 |
| 45-49 | - | - | 1 | 1 | 2 | 3 | 5 | - | 12 | 1,972 |
| 50-54 | 1 | - | 1 | 1 | 10 | 11 | 29 | 59 | 112 | 1,628 |
| 55-59 | - | - | 1 | 3 | 9 | 44 | 125 | 95 | 277 | 2,305 |
| 60-64 | - | 1 | 2 | 13 | 41 | 112 | 238 | 158 | 565 | 2,908 |
| 65-69 | 2 | 3 | 6 | 29 | 97 | 142 | 330 | 108 | 717 | 3,146 |
| 70-74 | 2 | 2 | 16 | 88 | 123 | 184 | 134 | 34 | 583 | 2,369 |
| 75-79 | 8 | 22 | 53 | 104 | 143 | 74 | 22 | 4 | 430 | 2,278 |
| 80-84 | 12 | 57 | 75 | 142 | 74 | 18 | 6 | 4 | 388 | 1,949 |
| 85-89 | 57 | 85 | 129 | 62 | 13 | 2 | 2 | - | 350 | 1,810 |
| 90-94 | 49 | 86 | 56 | 11 | - | - | - | - | 202 | 1,765 |
| 95-99 | 33 | 18 | - | 1 | 1 | - | - | - | 53 | 1,375 |
| 100 & Over | 6 | - | - | - | - | 1 | - | - | 7 | 1,316 |
| Total Count | 170 | 275 | 341 | 456 | 517 | 596 | 897 | 467 | 3,719 | |
| Avg Monthly Benefit | \$ 1,404 | \$ 1,461 | \$ 1,876 | \$ 1,871 | \$ 1,815 | \$ 2,406 | \$ 3,396 | \$ 3,052 | | \$ 2,414 |



This work product was prepared solely for *SamCERA* for the purposes described herein and 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

San Mateo County Employees' Retirement Association

**Exhibit C-5b: Distribution of Retired Members by Age and Retirement Year as of June 30, 2012
Safety Plans Combined**

| Age | Retirement Year | | | | | | | | Total Count | Average Monthly Benefit |
|--------------------------------|-----------------|----------|----------|----------|----------|----------|----------|----------|----------------|-------------------------------|
| | Pre-1979 | 1980-84 | 1985-89 | 1990-94 | 1995-99 | 2000-04 | 2005-09 | 2010-14 | | |
| Under 35 | - | - | - | - | - | - | - | - | - | \$ - |
| 35-39 | - | - | - | - | - | - | 2 | - | 2 | - |
| 40-44 | - | - | - | - | - | 2 | 2 | 1 | 5 | 3,713 |
| 45-49 | - | - | - | - | 3 | 2 | 5 | - | 10 | 4,132 |
| 50-54 | - | - | - | 1 | 1 | 4 | 7 | 18 | 31 | 6,805 |
| 55-59 | - | - | - | 2 | 1 | 5 | 31 | 14 | 53 | 7,082 |
| 60-64 | - | 1 | 4 | 10 | 6 | 23 | 25 | 10 | 79 | 6,948 |
| 65-69 | 1 | 2 | 3 | 10 | 22 | 51 | 13 | 4 | 106 | 6,133 |
| 70-74 | 3 | 1 | 13 | 21 | 37 | 10 | 1 | - | 86 | 5,141 |
| 75-79 | 5 | 1 | 7 | 7 | 2 | - | - | - | 22 | 4,709 |
| 80-84 | 1 | 4 | 6 | 1 | - | - | - | - | 12 | 5,190 |
| 85-89 | 9 | 5 | - | - | - | - | - | - | 14 | 3,856 |
| 90-94 | 6 | 1 | - | - | - | - | - | - | 7 | 4,047 |
| 95-99 | 1 | - | - | - | - | - | - | - | 1 | 1,383 |
| 100 & Over | - | - | - | - | - | - | - | - | - | - |
| Total Count | 26 | 15 | 33 | 52 | 72 | 97 | 86 | 47 | 428 | |
| Avg Monthly Benefit | \$ 3,629 | \$ 3,443 | \$ 3,702 | \$ 4,330 | \$ 4,995 | \$ 6,363 | \$ 8,003 | \$ 8,200 | | \$ 5,944 |



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San Mateo County Employees' Retirement Association

**Exhibit C-5c: Distribution of Retired Members by Age and Retirement Year as of June 30, 2012
Probation Plans Combined**

| Age | Retirement Year | | | | | | | | Total Count | Average Monthly Benefit |
|--------------------------------|-----------------|---------|---------|----------|----------|----------|----------|----------|----------------|-------------------------------|
| | Pre-1979 | 1980-84 | 1985-89 | 1990-94 | 1995-99 | 2000-04 | 2005-09 | 2010-14 | | |
| Under 35 | - | - | - | - | - | - | - | - | - | \$ - |
| 35-39 | - | - | - | - | - | - | - | - | - | - |
| 40-44 | - | - | - | - | - | - | - | - | - | - |
| 45-49 | - | - | - | - | - | 1 | - | 1 | 2 | 3,680 |
| 50-54 | - | - | - | - | - | - | 3 | 5 | 8 | 3,872 |
| 55-59 | - | - | - | - | - | 3 | 6 | 9 | 18 | 4,449 |
| 60-64 | - | - | - | - | 2 | 1 | 14 | 5 | 22 | 4,985 |
| 65-69 | - | - | - | - | 5 | 17 | 11 | 5 | 38 | 4,391 |
| 70-74 | - | - | - | 2 | 13 | 11 | 1 | 3 | 30 | 3,992 |
| 75-79 | - | - | - | - | 3 | 6 | - | - | 9 | 3,352 |
| 80-84 | - | - | - | - | 1 | - | - | - | 1 | 4,423 |
| 85-89 | - | - | - | - | - | - | - | - | - | - |
| 90-94 | - | - | - | - | - | - | - | - | - | - |
| 95-99 | - | - | - | - | - | - | - | - | - | - |
| 100 & Over | - | - | - | - | - | - | - | - | - | - |
| Total Count | - | - | - | 2 | 24 | 39 | 35 | 28 | 128 | |
| Avg Monthly Benefit | \$ - | \$ - | \$ - | \$ 7,777 | \$ 4,582 | \$ 3,372 | \$ 4,310 | \$ 5,051 | | \$ 4,291 |



This work product was prepared solely for *SamCERA* for the purposes described herein and 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

San Mateo County Employees' Retirement Association

Appendix D: Member Contribution Rates



This section illustrates the member basic contribution rates and the basic plus cost-sharing contribution rates by entry age.

San Mateo County Employees' Retirement Association

Exhibit D-1: General Member Basic Contribution Rates

| Entry Age ⁽¹⁾ | County & Courts | | | California Nurses Association | | | SMCM&VCD | |
|--------------------------|-----------------|--------|--------|-------------------------------|--------|--------|-----------|--------|
| | Plans 1&2 | Plan 4 | Plan 5 | Plans 1&2 | Plan 4 | Plan 5 | Plans 1&2 | Plan 4 |
| 16 | 5.25% | 5.04% | 4.34% | 5.25% | 5.04% | 4.34% | 5.25% | 5.04% |
| 17 | 5.35% | 5.14% | 4.42% | 5.35% | 5.14% | 4.42% | 5.35% | 5.14% |
| 18 | 5.45% | 5.23% | 4.50% | 5.45% | 5.23% | 4.50% | 5.45% | 5.23% |
| 19 | 5.55% | 5.33% | 4.59% | 5.55% | 5.33% | 4.59% | 5.55% | 5.33% |
| 20 | 5.66% | 5.43% | 4.67% | 5.66% | 5.43% | 4.67% | 5.66% | 5.43% |
| 21 | 5.76% | 5.53% | 4.76% | 5.76% | 5.53% | 4.76% | 5.76% | 5.53% |
| 22 | 5.87% | 5.63% | 4.85% | 5.87% | 5.63% | 4.85% | 5.87% | 5.63% |
| 23 | 5.97% | 5.73% | 4.94% | 5.97% | 5.73% | 4.94% | 5.97% | 5.73% |
| 24 | 6.08% | 5.84% | 5.03% | 6.08% | 5.84% | 5.03% | 6.08% | 5.84% |
| 25 | 6.19% | 5.94% | 5.12% | 6.19% | 5.94% | 5.12% | 6.19% | 5.94% |
| 26 | 6.31% | 6.05% | 5.22% | 6.31% | 6.05% | 5.22% | 6.31% | 6.05% |
| 27 | 6.42% | 6.16% | 5.31% | 6.42% | 6.16% | 5.31% | 6.42% | 6.16% |
| 28 | 6.54% | 6.28% | 5.41% | 6.54% | 6.28% | 5.41% | 6.54% | 6.28% |
| 29 | 6.66% | 6.39% | 5.51% | 6.66% | 6.39% | 5.51% | 6.66% | 6.39% |
| 30 | 6.78% | 6.51% | 5.61% | 6.78% | 6.51% | 5.61% | 6.78% | 6.51% |
| 31 | 6.90% | 6.62% | 5.71% | 6.90% | 6.62% | 5.71% | 6.90% | 6.62% |
| 32 | 7.03% | 6.75% | 5.82% | 7.03% | 6.75% | 5.82% | 7.03% | 6.75% |
| 33 | 7.16% | 6.87% | 5.93% | 7.16% | 6.87% | 5.93% | 7.16% | 6.87% |
| 34 | 7.29% | 6.99% | 6.03% | 7.29% | 6.99% | 6.03% | 7.29% | 6.99% |
| 35 | 7.42% | 7.12% | 6.14% | 7.42% | 7.12% | 6.14% | 7.42% | 7.12% |
| 36 | 7.56% | 7.25% | 6.25% | 7.56% | 7.25% | 6.25% | 7.56% | 7.25% |
| 37 | 7.70% | 7.39% | 6.37% | 7.70% | 7.39% | 6.37% | 7.70% | 7.39% |
| 38 | 7.84% | 7.52% | 6.48% | 7.84% | 7.52% | 6.48% | 7.84% | 7.52% |
| 39 | 7.99% | 7.66% | 6.60% | 7.99% | 7.66% | 6.60% | 7.99% | 7.66% |
| 40 | 8.14% | 7.81% | 6.72% | 8.14% | 7.81% | 6.72% | 8.14% | 7.81% |
| 41 | 8.29% | 7.95% | 6.85% | 8.29% | 7.95% | 6.85% | 8.29% | 7.95% |
| 42 | 8.45% | 8.10% | 6.97% | 8.45% | 8.10% | 6.97% | 8.45% | 8.10% |
| 43 | 8.61% | 8.24% | 7.10% | 8.61% | 8.24% | 7.10% | 8.61% | 8.24% |
| 44 | 8.76% | 8.38% | 7.24% | 8.76% | 8.38% | 7.24% | 8.76% | 8.38% |
| 45 | 8.91% | 8.51% | 7.37% | 8.91% | 8.51% | 7.37% | 8.91% | 8.51% |
| 46 | 9.06% | 8.64% | 7.51% | 9.06% | 8.64% | 7.51% | 9.06% | 8.64% |
| 47 | 9.21% | 8.76% | 7.64% | 9.21% | 8.76% | 7.64% | 9.21% | 8.76% |
| 48 | 9.34% | 8.86% | 7.78% | 9.34% | 8.86% | 7.78% | 9.34% | 8.86% |
| 49 | 9.47% | 8.96% | 7.91% | 9.47% | 8.96% | 7.91% | 9.47% | 8.96% |
| 50 | 9.58% | 9.03% | 8.04% | 9.58% | 9.03% | 8.04% | 9.58% | 9.03% |
| 51 | 9.68% | 9.07% | 8.16% | 9.68% | 9.07% | 8.16% | 9.68% | 9.07% |
| 52 | 9.75% | 9.07% | 8.27% | 9.75% | 9.07% | 8.27% | 9.75% | 9.07% |
| 53 | 9.78% | 9.38% | 8.37% | 9.78% | 9.38% | 8.37% | 9.78% | 9.38% |
| 54 | 9.78% | 9.72% | 8.46% | 9.78% | 9.72% | 8.46% | 9.78% | 9.72% |
| 55 | 9.78% | 9.72% | 8.52% | 9.78% | 9.72% | 8.52% | 9.78% | 9.72% |
| 56 | 9.78% | 9.72% | 8.56% | 9.78% | 9.72% | 8.56% | 9.78% | 9.72% |
| 57 | 9.78% | 9.72% | 8.56% | 9.78% | 9.72% | 8.56% | 9.78% | 9.72% |
| 58 | 9.78% | 9.72% | 8.85% | 9.78% | 9.72% | 8.85% | 9.78% | 9.72% |
| 59 | 9.78% | 9.72% | 9.17% | 9.78% | 9.72% | 9.17% | 9.78% | 9.72% |
| 60 | 9.78% | 9.72% | 9.17% | 9.78% | 9.72% | 9.17% | 9.78% | 9.72% |

⁽¹⁾ For County General members (except plan 5 members) entering after age 55, the rate equals the rate at age 55. For County General plan 5 members entering after age 60, the rate equals the rate at age 60.

San Mateo County Employees' Retirement Association

Exhibit D-2: General Member Basic Contribution Rates (Including Cost Sharing)

| Entry Age ⁽¹⁾ | County & Courts | | | California Nurses Association | | | SMCM&VCD ⁽²⁾ | |
|--------------------------|-----------------|--------|-----------------------|-------------------------------|--------|-----------------------|-------------------------|--------|
| | Plans 1&2 | Plan 4 | Plan 5 ⁽²⁾ | Plans 1&2 | Plan 4 | Plan 5 ⁽²⁾ | Plans 1&2 | Plan 4 |
| 16 | 8.25% | 8.04% | 4.34% | 8.25% | 8.04% | 4.34% | 5.25% | 5.04% |
| 17 | 8.35% | 8.14% | 4.42% | 8.35% | 8.14% | 4.42% | 5.35% | 5.14% |
| 18 | 8.45% | 8.23% | 4.50% | 8.45% | 8.23% | 4.50% | 5.45% | 5.23% |
| 19 | 8.55% | 8.33% | 4.59% | 8.55% | 8.33% | 4.59% | 5.55% | 5.33% |
| 20 | 8.66% | 8.43% | 4.67% | 8.66% | 8.43% | 4.67% | 5.66% | 5.43% |
| 21 | 8.76% | 8.53% | 4.76% | 8.76% | 8.53% | 4.76% | 5.76% | 5.53% |
| 22 | 8.87% | 8.63% | 4.85% | 8.87% | 8.63% | 4.85% | 5.87% | 5.63% |
| 23 | 8.97% | 8.73% | 4.94% | 8.97% | 8.73% | 4.94% | 5.97% | 5.73% |
| 24 | 9.08% | 8.84% | 5.03% | 9.08% | 8.84% | 5.03% | 6.08% | 5.84% |
| 25 | 9.19% | 8.94% | 5.12% | 9.19% | 8.94% | 5.12% | 6.19% | 5.94% |
| 26 | 9.31% | 9.05% | 5.22% | 9.31% | 9.05% | 5.22% | 6.31% | 6.05% |
| 27 | 9.42% | 9.16% | 5.31% | 9.42% | 9.16% | 5.31% | 6.42% | 6.16% |
| 28 | 9.54% | 9.28% | 5.41% | 9.54% | 9.28% | 5.41% | 6.54% | 6.28% |
| 29 | 9.66% | 9.39% | 5.51% | 9.66% | 9.39% | 5.51% | 6.66% | 6.39% |
| 30 | 9.78% | 9.51% | 5.61% | 9.78% | 9.51% | 5.61% | 6.78% | 6.51% |
| 31 | 9.90% | 9.62% | 5.71% | 9.90% | 9.62% | 5.71% | 6.90% | 6.62% |
| 32 | 10.03% | 9.75% | 5.82% | 10.03% | 9.75% | 5.82% | 7.03% | 6.75% |
| 33 | 10.16% | 9.87% | 5.93% | 10.16% | 9.87% | 5.93% | 7.16% | 6.87% |
| 34 | 10.29% | 9.99% | 6.03% | 10.29% | 9.99% | 6.03% | 7.29% | 6.99% |
| 35 | 10.42% | 10.12% | 6.14% | 10.42% | 10.12% | 6.14% | 7.42% | 7.12% |
| 36 | 10.56% | 10.25% | 6.25% | 10.56% | 10.25% | 6.25% | 7.56% | 7.25% |
| 37 | 10.70% | 10.39% | 6.37% | 10.70% | 10.39% | 6.37% | 7.70% | 7.39% |
| 38 | 10.84% | 10.52% | 6.48% | 10.84% | 10.52% | 6.48% | 7.84% | 7.52% |
| 39 | 10.99% | 10.66% | 6.60% | 10.99% | 10.66% | 6.60% | 7.99% | 7.66% |
| 40 | 11.14% | 10.81% | 6.72% | 11.14% | 10.81% | 6.72% | 8.14% | 7.81% |
| 41 | 11.29% | 10.95% | 6.85% | 11.29% | 10.95% | 6.85% | 8.29% | 7.95% |
| 42 | 11.45% | 11.10% | 6.97% | 11.45% | 11.10% | 6.97% | 8.45% | 8.10% |
| 43 | 11.61% | 11.24% | 7.10% | 11.61% | 11.24% | 7.10% | 8.61% | 8.24% |
| 44 | 11.76% | 11.38% | 7.24% | 11.76% | 11.38% | 7.24% | 8.76% | 8.38% |
| 45 | 11.91% | 11.51% | 7.37% | 11.91% | 11.51% | 7.37% | 8.91% | 8.51% |
| 46 | 12.06% | 11.64% | 7.51% | 12.06% | 11.64% | 7.51% | 9.06% | 8.64% |
| 47 | 12.21% | 11.76% | 7.64% | 12.21% | 11.76% | 7.64% | 9.21% | 8.76% |
| 48 | 12.34% | 11.86% | 7.78% | 12.34% | 11.86% | 7.78% | 9.34% | 8.86% |
| 49 | 12.47% | 11.96% | 7.91% | 12.47% | 11.96% | 7.91% | 9.47% | 8.96% |
| 50 | 12.58% | 12.03% | 8.04% | 12.58% | 12.03% | 8.04% | 9.58% | 9.03% |
| 51 | 12.68% | 12.07% | 8.16% | 12.68% | 12.07% | 8.16% | 9.68% | 9.07% |
| 52 | 12.75% | 12.07% | 8.27% | 12.75% | 12.07% | 8.27% | 9.75% | 9.07% |
| 53 | 12.78% | 12.38% | 8.37% | 12.78% | 12.38% | 8.37% | 9.78% | 9.38% |
| 54 | 12.78% | 12.72% | 8.46% | 12.78% | 12.72% | 8.46% | 9.78% | 9.72% |
| 55 | 12.78% | 12.72% | 10.33% | 12.78% | 12.72% | 10.33% | 9.78% | 9.72% |
| 56 | 12.78% | 12.72% | 10.38% | 12.78% | 12.72% | 10.38% | 9.78% | 9.72% |
| 57 | 12.78% | 12.72% | 10.38% | 12.78% | 12.72% | 10.38% | 9.78% | 9.72% |
| 58 | 12.78% | 12.72% | 10.74% | 12.78% | 12.72% | 10.74% | 9.78% | 9.72% |
| 59 | 12.78% | 12.72% | 11.12% | 12.78% | 12.72% | 11.12% | 9.78% | 9.72% |
| 60 | 12.78% | 12.72% | 11.12% | 12.78% | 12.72% | 11.12% | 9.78% | 9.72% |

⁽¹⁾ For County General members (except plan 5 members) entering after age 55, the rate equals the rate at age 55. For County General plan 5 members entering after age 60, the rate equals the rate at age 60.

⁽²⁾ SMCM&VCD and General plan 5 members do not participate in cost sharing.

San Mateo County Employees' Retirement Association

Exhibit D-3: General Member Basic Contribution Rates (Including COLA Sharing and Cost Sharing)

| Entry Age ⁽¹⁾ | County & Courts ⁽³⁾ | | | | California Nurses Association ⁽³⁾ | | | | SMCM&VCD ⁽²⁾ | |
|--------------------------|--------------------------------|--------|--------|-----------------------|--|--------|--------|-----------------------|-------------------------|--------|
| | Plan 1 | Plan 2 | Plan 4 | Plan 5 ⁽²⁾ | Plan 1 | Plan 2 | Plan 4 | Plan 5 ⁽²⁾ | Plans 1&2 | Plan 4 |
| 16 | 10.44% | 9.97% | 9.17% | 5.26% | 9.35% | 9.11% | 8.60% | 5.26% | 5.25% | 5.04% |
| 17 | 10.58% | 10.10% | 9.29% | 5.36% | 9.47% | 9.23% | 8.71% | 5.36% | 5.35% | 5.14% |
| 18 | 10.73% | 10.24% | 9.40% | 5.46% | 9.59% | 9.34% | 8.81% | 5.46% | 5.45% | 5.23% |
| 19 | 10.87% | 10.37% | 9.52% | 5.57% | 9.71% | 9.46% | 8.93% | 5.57% | 5.55% | 5.33% |
| 20 | 11.02% | 10.52% | 9.64% | 5.66% | 9.84% | 9.59% | 9.04% | 5.66% | 5.66% | 5.43% |
| 21 | 11.16% | 10.65% | 9.77% | 5.77% | 9.96% | 9.70% | 9.15% | 5.77% | 5.76% | 5.53% |
| 22 | 11.32% | 10.79% | 9.89% | 5.88% | 10.10% | 9.83% | 9.26% | 5.88% | 5.87% | 5.63% |
| 23 | 11.46% | 10.93% | 10.01% | 5.99% | 10.22% | 9.95% | 9.37% | 5.99% | 5.97% | 5.73% |
| 24 | 11.62% | 11.07% | 10.15% | 6.10% | 10.35% | 10.08% | 9.49% | 6.10% | 6.08% | 5.84% |
| 25 | 11.77% | 11.22% | 10.27% | 6.21% | 10.48% | 10.21% | 9.60% | 6.21% | 6.19% | 5.94% |
| 26 | 11.94% | 11.38% | 10.40% | 6.33% | 10.63% | 10.34% | 9.73% | 6.33% | 6.31% | 6.05% |
| 27 | 12.10% | 11.53% | 10.54% | 6.44% | 10.76% | 10.47% | 9.85% | 6.44% | 6.42% | 6.16% |
| 28 | 12.27% | 11.68% | 10.68% | 6.56% | 10.90% | 10.61% | 9.98% | 6.56% | 6.54% | 6.28% |
| 29 | 12.44% | 11.84% | 10.82% | 6.68% | 11.05% | 10.75% | 10.10% | 6.68% | 6.66% | 6.39% |
| 30 | 12.61% | 12.00% | 10.97% | 6.80% | 11.19% | 10.89% | 10.24% | 6.80% | 6.78% | 6.51% |
| 31 | 12.78% | 12.16% | 11.10% | 6.93% | 11.34% | 11.03% | 10.36% | 6.93% | 6.90% | 6.62% |
| 32 | 12.97% | 12.34% | 11.26% | 7.06% | 11.50% | 11.18% | 10.50% | 7.06% | 7.03% | 6.75% |
| 33 | 13.15% | 12.51% | 11.41% | 7.19% | 11.65% | 11.33% | 10.64% | 7.19% | 7.16% | 6.87% |
| 34 | 13.33% | 12.68% | 11.55% | 7.31% | 11.81% | 11.49% | 10.77% | 7.31% | 7.29% | 6.99% |
| 35 | 13.52% | 12.85% | 11.71% | 7.45% | 11.97% | 11.64% | 10.92% | 7.45% | 7.42% | 7.12% |
| 36 | 13.72% | 13.04% | 11.87% | 7.58% | 12.14% | 11.80% | 11.06% | 7.58% | 7.56% | 7.25% |
| 37 | 13.91% | 13.22% | 12.04% | 7.73% | 12.31% | 11.96% | 11.22% | 7.73% | 7.70% | 7.39% |
| 38 | 14.11% | 13.41% | 12.20% | 7.86% | 12.48% | 12.13% | 11.36% | 7.86% | 7.84% | 7.52% |
| 39 | 14.33% | 13.61% | 12.37% | 8.01% | 12.66% | 12.30% | 11.52% | 8.01% | 7.99% | 7.66% |
| 40 | 14.54% | 13.81% | 12.56% | 8.15% | 12.84% | 12.47% | 11.68% | 8.15% | 8.14% | 7.81% |
| 41 | 14.75% | 14.01% | 12.73% | 8.31% | 13.02% | 12.65% | 11.84% | 8.31% | 8.29% | 7.95% |
| 42 | 14.98% | 14.22% | 12.91% | 8.45% | 13.21% | 12.84% | 12.01% | 8.45% | 8.45% | 8.10% |
| 43 | 15.20% | 14.43% | 13.08% | 8.61% | 13.41% | 13.02% | 12.16% | 8.61% | 8.61% | 8.24% |
| 44 | 15.42% | 14.63% | 13.25% | 8.78% | 13.59% | 13.20% | 12.32% | 8.78% | 8.76% | 8.38% |
| 45 | 15.63% | 14.83% | 13.41% | 8.94% | 13.77% | 13.37% | 12.46% | 8.94% | 8.91% | 8.51% |
| 46 | 15.84% | 15.03% | 13.57% | 9.11% | 13.95% | 13.55% | 12.61% | 9.11% | 9.06% | 8.64% |
| 47 | 16.06% | 15.23% | 13.72% | 9.27% | 14.13% | 13.72% | 12.74% | 9.27% | 9.21% | 8.76% |
| 48 | 16.24% | 15.40% | 13.84% | 9.44% | 14.29% | 13.87% | 12.85% | 9.44% | 9.34% | 8.86% |
| 49 | 16.42% | 15.58% | 13.96% | 9.59% | 14.45% | 14.02% | 12.96% | 9.59% | 9.47% | 8.96% |
| 50 | 16.58% | 15.72% | 14.05% | 9.75% | 14.58% | 14.15% | 13.04% | 9.75% | 9.58% | 9.03% |
| 51 | 16.72% | 15.85% | 14.10% | 9.90% | 14.70% | 14.27% | 13.08% | 9.90% | 9.68% | 9.07% |
| 52 | 16.82% | 15.95% | 14.10% | 10.03% | 14.78% | 14.35% | 13.08% | 10.03% | 9.75% | 9.07% |
| 53 | 16.86% | 15.99% | 14.48% | 10.15% | 14.82% | 14.38% | 13.43% | 10.15% | 9.78% | 9.38% |
| 54 | 16.86% | 15.99% | 14.89% | 10.26% | 14.82% | 14.38% | 13.81% | 10.26% | 9.78% | 9.72% |
| 55 | 16.86% | 15.99% | 14.89% | 10.33% | 14.82% | 14.38% | 13.81% | 10.33% | 9.78% | 9.72% |
| 56 | 16.86% | 15.99% | 14.89% | 10.38% | 14.82% | 14.38% | 13.81% | 10.38% | 9.78% | 9.72% |
| 57 | 16.86% | 15.99% | 14.89% | 10.38% | 14.82% | 14.38% | 13.81% | 10.38% | 9.78% | 9.72% |
| 58 | 16.86% | 15.99% | 14.89% | 10.74% | 14.82% | 14.38% | 13.81% | 10.74% | 9.78% | 9.72% |
| 59 | 16.86% | 15.99% | 14.89% | 11.12% | 14.82% | 14.38% | 13.81% | 11.12% | 9.78% | 9.72% |
| 60 | 16.86% | 15.99% | 14.89% | 11.12% | 14.82% | 14.38% | 13.81% | 11.12% | 9.78% | 9.72% |

- ⁽¹⁾ For County General members (except plan 5 members) entering after age 55, the rate equals the rate at age 55. For County General plan 5 members entering after age 60, the rate equals the rate at age 60.
- ⁽²⁾ SMCM&VCD and General plan 5 members do not participate in cost sharing. SMCM&VCD does not participate in COLA sharing.
- ⁽³⁾ Rehired County and Courts members on or after August 7, 2011, and all plan 5 members participate in COLA sharing at a 50% level. All California Nurses Association members (except plan 5 members) participate in COLA sharing at a 25% level.



This work product was prepared solely for SamCERA for the purposes described herein and 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

San Mateo County Employees' Retirement Association

Exhibit D-4: Safety and Probation Member Basic Rates

| Entry Age ⁽¹⁾ | Probation | | Safety | |
|--------------------------|-----------|-------------|-----------|-------------|
| | Plans 1&2 | Plans 4&5&6 | Plans 1&2 | Plans 4&5&6 |
| 16 | 5.72% | 5.49% | 7.14% | 6.86% |
| 17 | 5.82% | 5.59% | 7.28% | 6.98% |
| 18 | 5.93% | 5.69% | 7.41% | 7.11% |
| 19 | 6.04% | 5.79% | 7.55% | 7.24% |
| 20 | 6.15% | 5.90% | 7.68% | 7.37% |
| 21 | 6.26% | 6.01% | 7.82% | 7.51% |
| 22 | 6.37% | 6.12% | 7.97% | 7.65% |
| 23 | 6.49% | 6.23% | 8.11% | 7.79% |
| 24 | 6.61% | 6.34% | 8.26% | 7.93% |
| 25 | 6.73% | 6.46% | 8.41% | 8.07% |
| 26 | 6.85% | 6.57% | 8.56% | 8.22% |
| 27 | 6.98% | 6.69% | 8.72% | 8.37% |
| 28 | 7.10% | 6.82% | 8.88% | 8.52% |
| 29 | 7.23% | 6.94% | 9.04% | 8.68% |
| 30 | 7.36% | 7.07% | 9.21% | 8.83% |
| 31 | 7.50% | 7.20% | 9.37% | 9.00% |
| 32 | 7.64% | 7.33% | 9.55% | 9.16% |
| 33 | 7.78% | 7.47% | 9.72% | 9.33% |
| 34 | 7.93% | 7.61% | 9.91% | 9.51% |
| 35 | 8.08% | 7.75% | 10.09% | 9.68% |
| 36 | 8.23% | 7.89% | 10.29% | 9.86% |
| 37 | 8.39% | 8.03% | 10.48% | 10.04% |
| 38 | 8.54% | 8.17% | 10.68% | 10.22% |
| 39 | 8.69% | 8.31% | 10.87% | 10.39% |
| 40 | 8.85% | 8.45% | 11.06% | 10.56% |
| 41 | 9.00% | 8.57% | 11.24% | 10.72% |
| 42 | 9.14% | 8.69% | 11.42% | 10.86% |
| 43 | 9.27% | 8.80% | 11.59% | 11.00% |
| 44 | 9.40% | 8.89% | 11.74% | 11.11% |
| 45 | 9.51% | 8.96% | 11.89% | 11.20% |
| 46 | 9.60% | 9.00% | 12.00% | 11.25% |
| 47 | 9.67% | 9.00% | 12.09% | 11.25% |
| 48 | 9.70% | 9.31% | 12.13% | 11.63% |
| 49 | 9.70% | 9.64% | 12.13% | 12.05% |
| 50 | 9.70% | 9.64% | 12.13% | 12.05% |

⁽¹⁾ For Safety and Probation members entering after age 50, the rate equals the rate at age 50.

San Mateo County Employees' Retirement Association

Exhibit D-5: Safety and Probation Member Contribution Rates (Including Cost Sharing)

| Entry Age ⁽¹⁾ | Probation | | | Safety ⁽²⁾ | | | |
|--------------------------|-----------|-----------|-----------------------|-----------------------|--------|--------|-----------------------|
| | Plans 1&2 | Plans 4&5 | Plan 6 ⁽³⁾ | Plans 1&2 | Plan 4 | Plan 5 | Plan 6 ⁽³⁾ |
| 16 | 9.22% | 8.99% | 5.49% | 12.14% | 11.86% | 10.86% | 6.86% |
| 17 | 9.32% | 9.09% | 5.59% | 12.28% | 11.98% | 10.98% | 6.98% |
| 18 | 9.43% | 9.19% | 5.69% | 12.41% | 12.11% | 11.11% | 7.11% |
| 19 | 9.54% | 9.29% | 5.79% | 12.55% | 12.24% | 11.24% | 7.24% |
| 20 | 9.65% | 9.40% | 5.90% | 12.68% | 12.37% | 11.37% | 7.37% |
| 21 | 9.76% | 9.51% | 6.01% | 12.82% | 12.51% | 11.51% | 7.51% |
| 22 | 9.87% | 9.62% | 6.12% | 12.97% | 12.65% | 11.65% | 7.65% |
| 23 | 9.99% | 9.73% | 6.23% | 13.11% | 12.79% | 11.79% | 7.79% |
| 24 | 10.11% | 9.84% | 6.34% | 13.26% | 12.93% | 11.93% | 7.93% |
| 25 | 10.23% | 9.96% | 6.46% | 13.41% | 13.07% | 12.07% | 8.07% |
| 26 | 10.35% | 10.07% | 6.57% | 13.56% | 13.22% | 12.22% | 8.22% |
| 27 | 10.48% | 10.19% | 6.69% | 13.72% | 13.37% | 12.37% | 8.37% |
| 28 | 10.60% | 10.32% | 6.82% | 13.88% | 13.52% | 12.52% | 8.52% |
| 29 | 10.73% | 10.44% | 6.94% | 14.04% | 13.68% | 12.68% | 8.68% |
| 30 | 10.86% | 10.57% | 7.07% | 14.21% | 13.83% | 12.83% | 8.83% |
| 31 | 11.00% | 10.70% | 7.20% | 14.37% | 14.00% | 13.00% | 9.00% |
| 32 | 11.14% | 10.83% | 7.33% | 14.55% | 14.16% | 13.16% | 9.16% |
| 33 | 11.28% | 10.97% | 7.47% | 14.72% | 14.33% | 13.33% | 9.33% |
| 34 | 11.43% | 11.11% | 7.61% | 14.91% | 14.51% | 13.51% | 9.51% |
| 35 | 11.58% | 11.25% | 7.75% | 15.09% | 14.68% | 13.68% | 9.68% |
| 36 | 11.73% | 11.39% | 7.89% | 15.29% | 14.86% | 13.86% | 9.86% |
| 37 | 11.89% | 11.53% | 8.03% | 15.48% | 15.04% | 14.04% | 10.04% |
| 38 | 12.04% | 11.67% | 8.17% | 15.68% | 15.22% | 14.22% | 10.22% |
| 39 | 12.19% | 11.81% | 8.31% | 15.87% | 15.39% | 14.39% | 10.39% |
| 40 | 12.35% | 11.95% | 8.45% | 16.06% | 15.56% | 14.56% | 10.56% |
| 41 | 12.50% | 12.07% | 8.57% | 16.24% | 15.72% | 14.72% | 10.72% |
| 42 | 12.64% | 12.19% | 8.69% | 16.42% | 15.86% | 14.86% | 10.86% |
| 43 | 12.77% | 12.30% | 8.80% | 16.59% | 16.00% | 15.00% | 11.00% |
| 44 | 12.90% | 12.39% | 8.89% | 16.74% | 16.11% | 15.11% | 11.11% |
| 45 | 13.01% | 12.46% | 8.96% | 16.89% | 16.20% | 15.20% | 11.20% |
| 46 | 13.10% | 12.50% | 9.00% | 17.00% | 16.25% | 15.25% | 11.25% |
| 47 | 13.17% | 12.50% | 9.00% | 17.09% | 16.25% | 15.25% | 11.25% |
| 48 | 13.20% | 12.81% | 9.31% | 17.13% | 16.63% | 15.63% | 11.63% |
| 49 | 13.20% | 13.14% | 9.64% | 17.13% | 17.05% | 16.05% | 12.05% |
| 50 | 13.20% | 13.14% | 9.64% | 17.13% | 17.05% | 16.05% | 12.05% |

⁽¹⁾ For Safety and Probation members entering after age 50, the rate equals the rate at age 50.

⁽²⁾ Safety members (except Deputy Sheriffs) participate in cost sharing at a rate of 5% (plans 1,2 and 4) and 4% (plan 5). Deputy Sheriffs participate in cost sharing at a lower variable level, as described in Appendix B.

⁽³⁾ Safety and Probation plan 6 members do not participate in cost sharing.

San Mateo County Employees' Retirement Association

Exhibit D-6: Safety and Probation Member Contribution Rates (Including COLA Sharing and Cost Sharing)

| Entry Age ⁽¹⁾ | Probation ⁽⁴⁾ | | | | Safety ^{(2) (4)} | | | | |
|--------------------------|--------------------------|--------|--------|-----------------------|---------------------------|--------|--------|--------|-----------------------|
| | Plans 1&2 | Plan 4 | Plan 5 | Plan 6 ⁽³⁾ | Plan 1 | Plan 2 | Plan 4 | Plan 5 | Plan 6 ⁽³⁾ |
| 16 | 12.80% | 11.23% | 11.02% | 7.32% | 16.61% | 15.71% | 14.11% | 12.92% | 8.70% |
| 17 | 12.96% | 11.37% | 11.16% | 7.45% | 16.83% | 15.92% | 14.27% | 13.08% | 8.86% |
| 18 | 13.14% | 11.51% | 11.30% | 7.59% | 17.04% | 16.12% | 14.44% | 13.25% | 9.02% |
| 19 | 13.32% | 11.65% | 11.43% | 7.72% | 17.27% | 16.33% | 14.62% | 13.42% | 9.19% |
| 20 | 13.50% | 11.81% | 11.58% | 7.87% | 17.48% | 16.52% | 14.79% | 13.59% | 9.35% |
| 21 | 13.68% | 11.96% | 11.73% | 8.01% | 17.71% | 16.73% | 14.97% | 13.77% | 9.53% |
| 22 | 13.86% | 12.12% | 11.89% | 8.16% | 17.95% | 16.96% | 15.16% | 13.95% | 9.71% |
| 23 | 14.05% | 12.27% | 12.04% | 8.31% | 18.18% | 17.17% | 15.35% | 14.13% | 9.88% |
| 24 | 14.25% | 12.43% | 12.19% | 8.46% | 18.43% | 17.39% | 15.53% | 14.31% | 10.06% |
| 25 | 14.44% | 12.59% | 12.35% | 8.62% | 18.67% | 17.62% | 15.72% | 14.50% | 10.24% |
| 26 | 14.64% | 12.75% | 12.50% | 8.76% | 18.91% | 17.84% | 15.92% | 14.69% | 10.43% |
| 27 | 14.85% | 12.92% | 12.67% | 8.92% | 19.17% | 18.08% | 16.12% | 14.89% | 10.62% |
| 28 | 15.04% | 13.10% | 12.84% | 9.10% | 19.43% | 18.32% | 16.32% | 15.08% | 10.81% |
| 29 | 15.25% | 13.27% | 13.01% | 9.26% | 19.69% | 18.56% | 16.53% | 15.29% | 11.01% |
| 30 | 15.47% | 13.45% | 13.19% | 9.43% | 19.97% | 18.82% | 16.73% | 15.49% | 11.20% |
| 31 | 15.69% | 13.64% | 13.37% | 9.60% | 20.23% | 19.06% | 16.95% | 15.71% | 11.42% |
| 32 | 15.92% | 13.82% | 13.54% | 9.78% | 20.52% | 19.33% | 17.17% | 15.91% | 11.62% |
| 33 | 16.15% | 14.02% | 13.74% | 9.96% | 20.80% | 19.58% | 17.39% | 16.14% | 11.84% |
| 34 | 16.39% | 14.21% | 13.93% | 10.15% | 21.11% | 19.87% | 17.63% | 16.37% | 12.07% |
| 35 | 16.64% | 14.41% | 14.12% | 10.34% | 21.40% | 20.14% | 17.86% | 16.59% | 12.28% |
| 36 | 16.88% | 14.61% | 14.31% | 10.52% | 21.73% | 20.44% | 18.10% | 16.82% | 12.51% |
| 37 | 17.14% | 14.80% | 14.50% | 10.71% | 22.03% | 20.72% | 18.33% | 17.06% | 12.74% |
| 38 | 17.38% | 15.00% | 14.69% | 10.90% | 22.36% | 21.02% | 18.57% | 17.29% | 12.97% |
| 39 | 17.63% | 15.20% | 14.89% | 11.08% | 22.67% | 21.31% | 18.80% | 17.51% | 13.18% |
| 40 | 17.89% | 15.40% | 15.08% | 11.27% | 22.98% | 21.59% | 19.02% | 17.74% | 13.40% |
| 41 | 18.13% | 15.56% | 15.24% | 11.43% | 23.27% | 21.86% | 19.24% | 17.94% | 13.60% |
| 42 | 18.36% | 15.73% | 15.41% | 11.59% | 23.56% | 22.13% | 19.42% | 18.13% | 13.78% |
| 43 | 18.57% | 15.89% | 15.56% | 11.74% | 23.84% | 22.39% | 19.61% | 18.31% | 13.96% |
| 44 | 18.78% | 16.02% | 15.68% | 11.86% | 24.08% | 22.61% | 19.76% | 18.45% | 14.10% |
| 45 | 18.96% | 16.11% | 15.78% | 11.95% | 24.33% | 22.84% | 19.87% | 18.57% | 14.21% |
| 46 | 19.11% | 16.17% | 15.83% | 12.00% | 24.50% | 23.00% | 19.94% | 18.63% | 14.27% |
| 47 | 19.22% | 16.17% | 15.83% | 12.00% | 24.65% | 23.14% | 19.94% | 18.63% | 14.27% |
| 48 | 19.27% | 16.61% | 16.26% | 12.42% | 24.72% | 23.20% | 20.45% | 19.13% | 14.76% |
| 49 | 19.27% | 17.07% | 16.71% | 12.86% | 24.72% | 23.20% | 21.00% | 19.67% | 15.29% |
| 50 | 19.27% | 17.07% | 16.71% | 12.86% | 24.72% | 23.20% | 21.00% | 19.67% | 15.29% |

⁽¹⁾ For Safety and Probation members entering after age 50, the rate equals the rate at age 50.

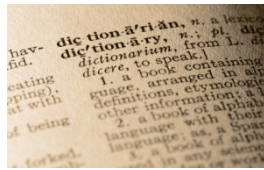
⁽²⁾ Safety members (except Deputy Sheriffs) participate in cost sharing at a rate of 5% (plans 1,2 and 4) and 4% (plan 5). Deputy Sheriffs participate in cost sharing at a lower variable level, as described in Appendix B.

⁽³⁾ Safety and Probation plan 6 members do not participate in cost sharing.

⁽⁴⁾ Rehired Safety members on or after January 8, 2012 and Probation members on or after July 10, 2011, and all plans 5 and 6 members participate in COLA sharing at a 50% level.

San Mateo County Employees' Retirement Association

Appendix E: Glossary



The following definitions include excerpts from a list adopted by the major actuarial organizations in the United States. In some cases, the definitions have been modified for specific applicability to *SamCERA* and include terms used exclusively by *SamCERA*. Defined terms are capitalized throughout this Appendix.

| | |
|------------------------------------|---|
| Accrued Benefit | The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date. |
| Actuarial Accrued Liability | That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs. |
| Actuarial Assumptions | Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items. |
| Actuarial Gain (Loss) | A measure of the difference between actual experience and that expected based on a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method. |
| Actuarial Present Value | The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. |
| Actuarial Valuation | The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan. |
| Actuarial Value of Assets | The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation. |
| Actuarially Equivalent | Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions. |
| Amortization Payment | That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability. |
| COLA | Cost of living adjustments to benefit payments are made each April 1. See full description in Appendix B. |

| | |
|---|---|
| Employer Reserve | The accumulation of employer contributions for future retirement benefit payments. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members and survivors, lump sum death benefit payments to member survivors, and supplemental disability payments. |
| Entry Age Actuarial Cost Method | A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability. |
| Funded Ratio | A measurement of the funded status of the system. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. For example, a Funded Ratio of 90% indicates assets are 10% less than liabilities. |
| Member Reserve | The accumulation of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees and refunds to members. |
| Non-Valuation Reserves | Reserves excluded from the calculation of contribution rates. |
| Normal Cost | That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. |
| Plan Year | A 12-month period beginning July 1 and ending June 30. |
| Projected Benefits | Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. |
| Unfunded Actuarial Accrued Liability | The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets. |
| Valuation Date | The date upon which the Normal Cost, Actuarial Accrued Liability, and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the ending of a Plan Year. |
| Valuation Reserves | All reserves excluding the Non-Valuation Reserves. |

SamCERA

**Actuarial Valuation
June 30, 2012**

presented by

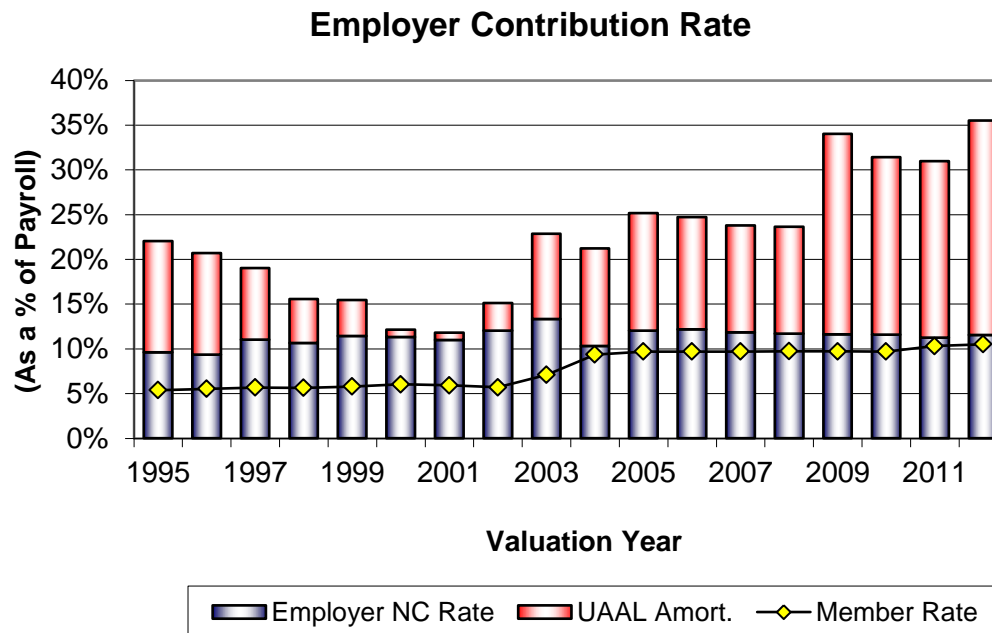
Nick Collier, ASA, EA, MAAA

September 25, 2012



Required Employer Contribution Rate

- Increase in required rate compared to last year
 - 30.97% → 35.49%
 - Employers actually contributed a higher rate last year (approximately 34% of pay)
- Details in Exhibit 11 (further breakdown in Exhibits 11a-11f)



What Happened?

Required Employer Rate: This Year vs. Last Year

- Increase since last year
 - Biggest factor is still recognition of 2008-09 asset loss under smoothing method

| Sources of Change | Employer Contribution Rate |
|--|----------------------------|
| June 30, 2011 Actuarial Valuation | 30.97% |
| Expected Year-to-Year Change | 0.00% |
| Recognized Asset Gain/Loss | |
| From Current Year | 0.74% |
| From Prior Years | 3.03% |
| Salary Increase < Assumed | -1.01% |
| Payroll Decrease | 1.02% |
| Economic Assumption Changes | 1.12% |
| Employer Rate > Required | -0.29% |
| Other Experience Changes | -0.09% |
| Total Change | 4.52% |
| June 30, 2012 Actuarial Valuation | 35.49% |

Member Contribution Rate

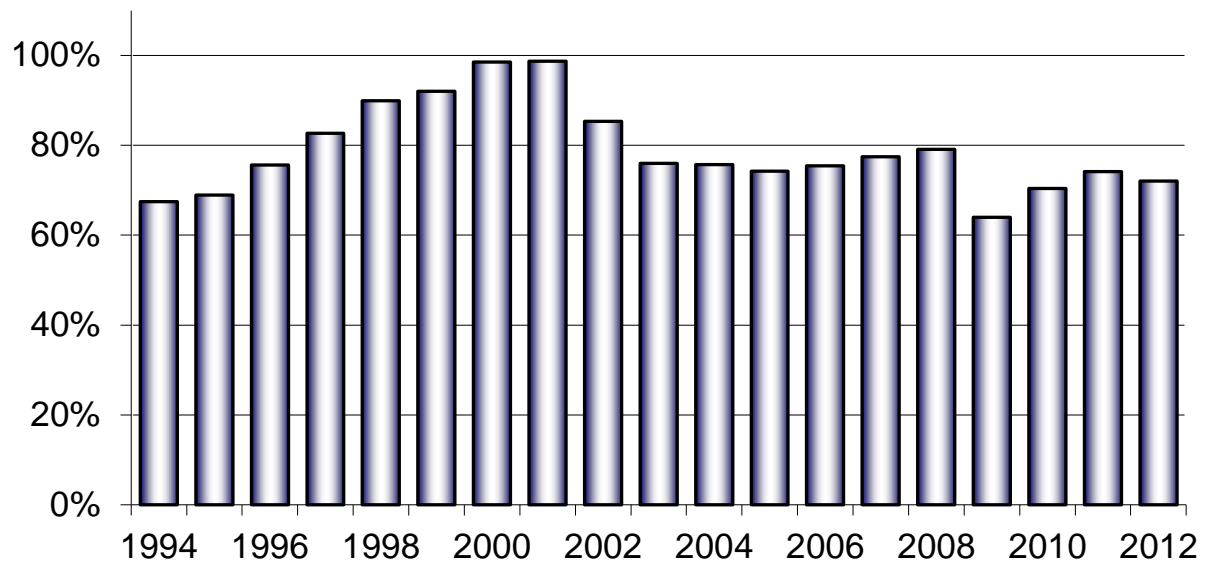
- Increase in average member rate
 - 10.32% → 10.52%
 - Lower investment return assumptions caused increase, offset slightly by decrease in expected salary increases
 - Full disclosure in Appendix D of report

| | Entry Age | Recommended Rates | | | Total as a % of Pay | Current | Ratio (New/Curr) |
|--|-----------|-------------------|-------------------|--------------|---------------------|---------------------|------------------|
| | | Basic | COLA Cost Sharing | Cost Sharing | | Total as a % of Pay | |
| General Members - County & Courts (Excluding CNA members) | | | | | | | |
| Plans 1 & 2 | 25 | 6.19% | N/A | 3.00% | 9.19% | 9.06% | 101.4% |
| | 35 | 7.42% | N/A | 3.00% | 10.42% | 10.25% | 101.7% |
| | 45 | 8.91% | N/A | 3.00% | 11.91% | 11.71% | 101.7% |
| Plan 4 | 25 | 5.94% | N/A | 3.00% | 8.94% | 8.80% | 101.6% |
| | 35 | 7.12% | N/A | 3.00% | 10.12% | 9.94% | 101.8% |
| | 45 | 8.51% | N/A | 3.00% | 11.51% | 11.29% | 101.9% |
| Plan 5 | 25 | 5.12% | 1.09% | 0.00% | 6.21% | 6.10% | 101.8% |
| | 35 | 6.14% | 1.31% | 0.00% | 7.45% | 7.30% | 102.0% |
| | 45 | 7.37% | 1.57% | 0.00% | 8.94% | 8.76% | 102.1% |

Funded Ratio

- Decrease since last year
 - 74.1% → 72.0%

Historical Funded Ratios



What Happened?

Funded Ratio: This Year vs. Last Year

- Decrease since last year
 - Biggest factor is recognition of 2008-09 Asset Loss under smoothing method

| Sources of Change | Funded Ratio |
|--|--------------|
| June 30, 2011 Actuarial Valuation | 74.1% |
| Expected Year-to-Year Change | 2.0% |
| Recognized Asset Gain/Loss | |
| From Current Year | -0.9% |
| From Prior Years | -4.0% |
| Retiree COLAs Less than Expected | 0.2% |
| Salary Increase < Assumed | 1.0% |
| Payroll Decrease | 0.0% |
| Economic Assumption Changes | -0.8% |
| Employer Rate > Required | 0.4% |
| Other Experience Changes | 0.0% |
| Total Change | -2.1% |
| June 30, 2012 Actuarial Valuation | 72.0% |

Valuation Components

Member Data

| | June 30th Valuation | | | | |
|--------------------------------|---------------------|---------|---------|---------|---------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Active Members | | | | | |
| Count | 5,095 | 5,245 | 5,345 | 5,543 | 5,500 |
| Age | 46.0 | 45.7 | 45.4 | 44.9 | 44.5 |
| Credited Service | 10.9 | 10.6 | 10.2 | 9.6 | 9.3 |
| Mo. Salary | \$6,995 | \$6,872 | \$6,813 | \$6,692 | \$6,433 |
| Retired Members | | | | | |
| Count | 4,275 | 4,147 | 4,002 | 3,935 | 3,842 |
| Average Age | 71.2 | 71.3 | 71.3 | 71.3 | 71.2 |
| Mo. Benefit | \$2,823 | \$2,706 | \$2,601 | \$2,521 | \$2,378 |
| Inactive Vested Members | | | | | |
| Count | 1,212 | 1,190 | 1,207 | 1,230 | 1,225 |

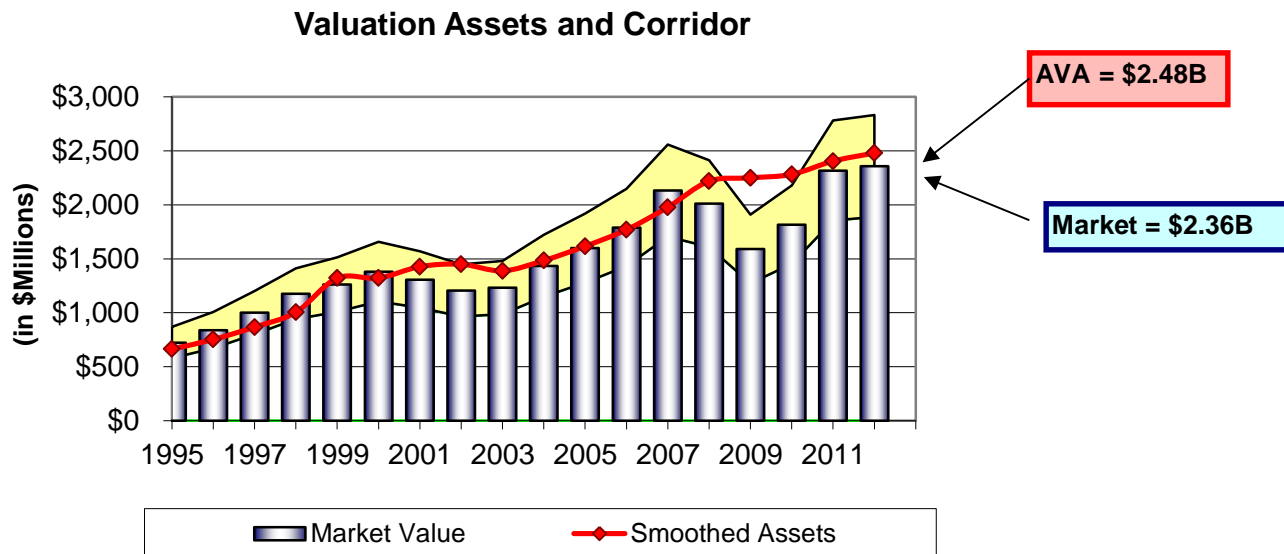
Valuation Components Assumptions & Benefits

- Changes in assumptions since last valuation
 - Investment return lowered to 7.50% (was 7.75%)
 - Price inflation lowered to 3.25% (was 3.50%)
 - General wage growth lowered to 3.75% (was 4.00%)
 - Assumed COLAs decreased
 - Varies by Plan
- Benefit provisions
 - All changes agreed to in 2011 have been incorporated in this report
 - Does not reflect recent legislative changes (PEPRA)

Valuation Components

Actuarial Assets

- Asset Smoothing Methods - how and when we recognize realized and unrealized gains/losses
 - Less-than-assumed return this year is compounded by recognition of prior years' losses
 - Actuarial value of assets are inside 20% market value corridor



Liabilities & Normal Cost

Results

| | June 30, 2012 | June 30, 2011 |
|-----------------------------------|---------------|---------------|
| AAL (\$Millions) | | |
| Active Members | \$ 1,420 | \$ 1,381 |
| Retired Members | 1,855 | 1,719 |
| Deferred Vested Members | 168 | 147 |
| Total Accrued Liability | \$ 3,443 | \$ 3,247 |
| Normal Cost (% of payroll) | | |
| Gross NC Rate | 22.04% | 21.57% |
| Member Paid | -10.52% | -10.32% |
| County NC Rate | 11.52% | 11.25% |

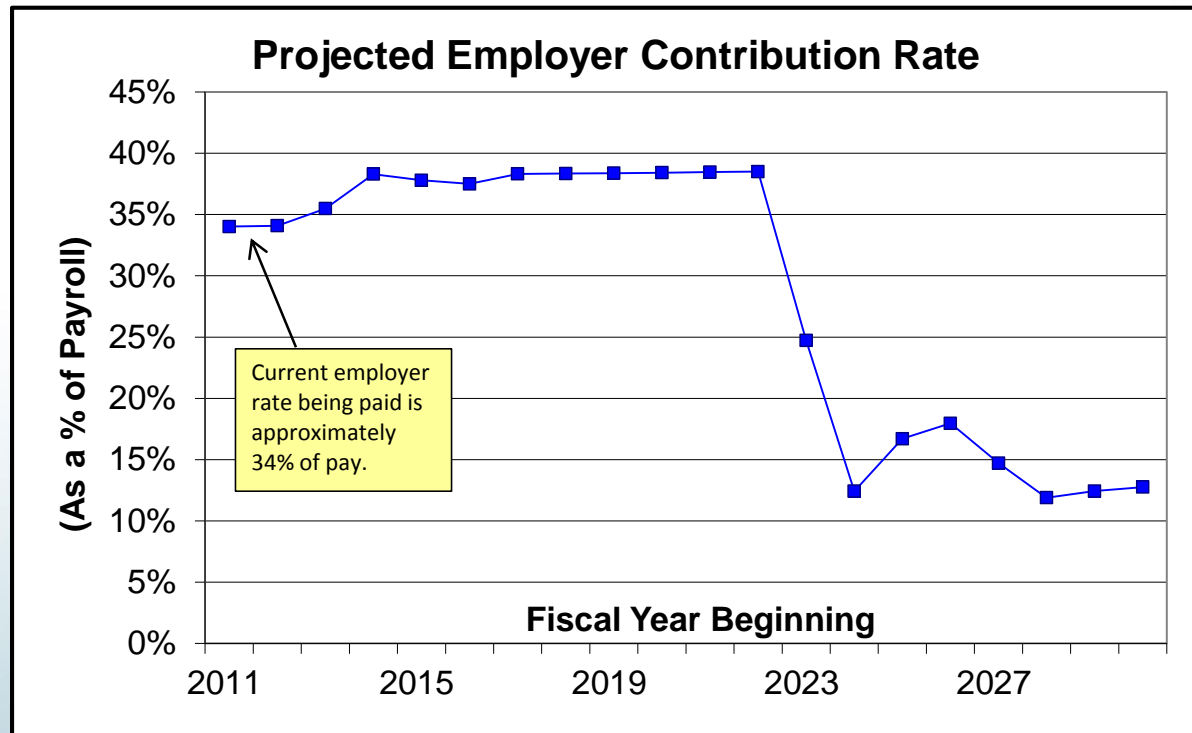
Comparison of Assets & Liabilities

Results

| | June 30, 2012 | June 30, 2011 |
|---|---------------|---------------|
| <i>Unfunded AAL (\$Millions)</i> | | |
| Actuarial Accrued Liability | \$ 3,442 | \$ 3,247 |
| Valuation Assets | <u>2,480</u> | <u>2,405</u> |
| Total Unfunded Acc. Liab. | \$ 962 | \$ 842 |
| <i>Funded Ratio</i> | 72.0% | 74.1% |

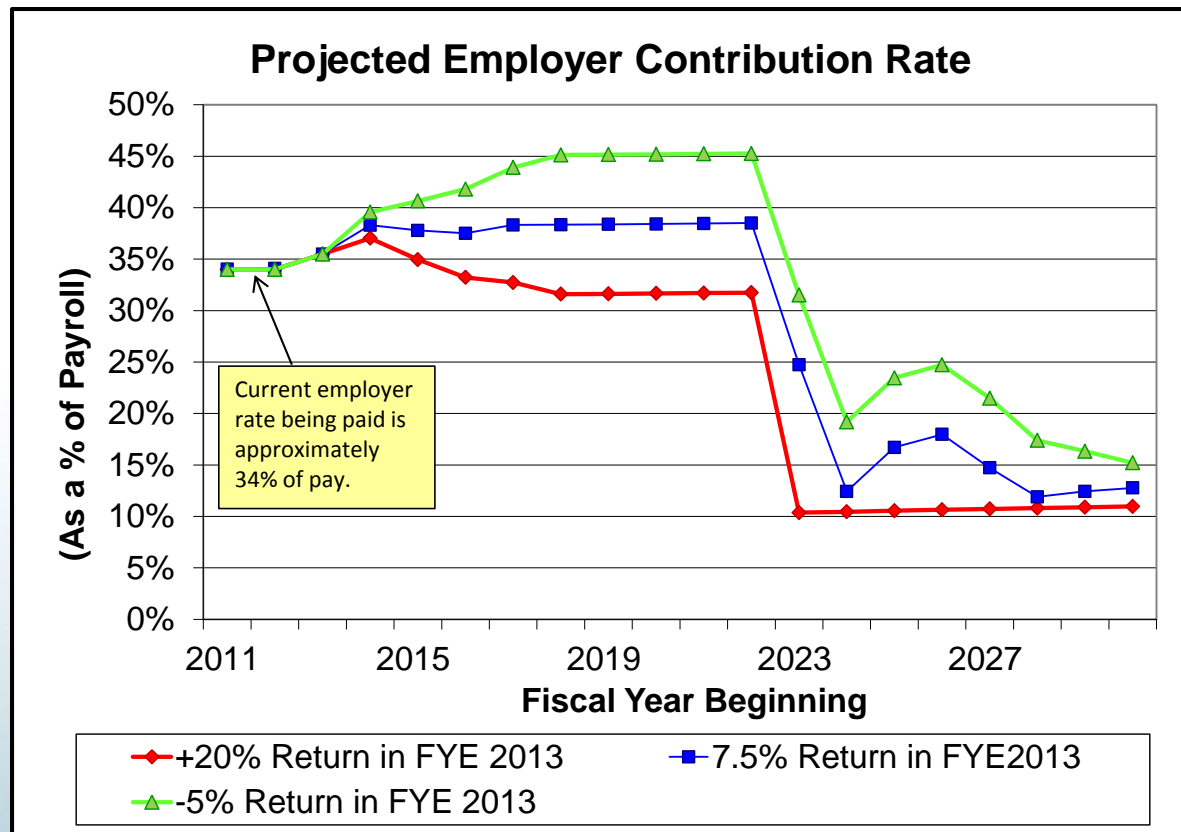
Looking Forward

- Projection of Employer Contribution Rate
 - Assumes 7.5% return in all future years and no changes in assumptions
 - Does not reflect expected impact of new plans or legislation (slight decrease in rate)



Looking Forward: 1-Year Volatility

- Projection of Employer Contribution Rate
 - Assumes 7.5% return in all future years and no changes in assumptions
 - Except first year shows good and bad scenarios



Recommendations



On Pages 2 & 3 of Report

- Adopt new employer contribution rates effective July 1, 2013
 - See Exhibits 11a – 11f of report for details
 - County General (including Courts) = 30.03%
 - County Safety = 67.56%
 - County Probation = 46.70%
 - Mosquito & Vector Control District = 31.85%
- Adopt new member contribution rates effective July 1, 2013
 - Increases to current rates
 - Changes due to new economic assumptions
 - On Pages 2 & 3 of Report

Questions



Caveats and Disclaimers

This presentation is based on the data, methods, assumptions and plan provisions described in our actuarial valuation report dated June 30, 2012. The statements of reliance and limitations on the use of this material is reflected in the actuarial report and still apply to this presentation.

These statements include reliance on data provided, on actuarial certification, and the purpose of the report.

Milliman's work product was prepared exclusively for *SamCERA* for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning *SamCERA*'s operations, and uses *SamCERA*'s data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 5.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Acceptance of the Fiscal Year 2013-2014 Employer and Member Contribution Rates

Staff Recommendation

Staff recommends that the Board of Retirement adopt the attached "*Resolution Accepting Contribution rates to Recommend to the Board of Supervisors for the 2013-2014 Fiscal Year.*" The resolution accepts the employer and member contribution rates, as recommended by SamCERA's actuarial consulting firm, Milliman, Inc. in the June 30, 2012, Actuarial Valuation. It further recommends to the Board of Supervisors that these rates be adopted and implemented for the 2013-2014 fiscal year.

Background

The Board adopted actuarial assumptions for the preparation of the June 30, 2012, Actuarial Valuation. These include:

| | | |
|-----------------------------|-------|-------------|
| Investment Returns | 7.50% | (was 7.75%) |
| General Wage Growth | 3.75% | (was 4.00%) |
| Payroll Growth | 3.75% | (was 4.00%) |
| COLA (Plan 1 G&S) | 3.25% | (was 3.50%) |
| COLA (Plan 1 P) | 2.90% | (was 3.00%) |
| COLA (Plan 2) | 2.65% | (was 2.75%) |
| COLA (Plan 3) | 0.00% | (no change) |
| COLA (Plans 4, 5 & 6) | 1.90% | (was 2.00%) |
| All Demographic Assumptions | | (no change) |

These assumptions were utilized in Milliman's preparation of the June 30, 2012, Actuarial Valuation and its recommended contribution rates.

Pension Reform: Member and employer contribution rates for those hired after implementation of new pension legislation benefit formulas (members first hired on or after Jan. 1, 2013) are not included in the valuation report or covered in the attached resolution. They will be provided by Milliman as an addendum to the report and brought to the Board of Retirement for approval at a future meeting.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

RESOLUTION 12-13-__

**RESOLUTION ACCEPTING CONTRIBUTION RATES AND A RATE OF INTEREST TO
RECOMMEND TO THE BOARD OF SUPERVISORS FOR THE 2013-2014 FISCAL YEAR.**

WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board...*"shall, at least 45 days prior to the beginning of the succeeding fiscal year, recommend to the Board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and in the county and district appropriations as are necessary..."* and

WHEREAS, the Board has received and accepted the June 30, 2012, valuation report from its actuarial firm, Milliman, Inc., and

WHEREAS, the Chief Executive Officer has recommended, in agreement with Milliman, Inc., the contribution rates necessary to assure the actuarial soundness of the Retirement Fund,
Therefore, be it

RESOLVED that the Board hereby accepts the employer and member contribution rates as recommended by Milliman, Inc. in its June 30, 2012, Actuarial Valuation of the San Mateo County Employees' Retirement Association effective for the fiscal year 2013-2014.

Be it further

RESOLVED that the Board recommends that the Board of Supervisors adopt the rate of interest (assumed investment return) of 7.50% per year, as recommended by Milliman, Inc. and the Board of Retirement.

Be it further

RESOLVED that the Board recommends that the Board of Supervisors adopt the recommended **employer contribution rates** for the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules provided by Milliman, Inc. in its June 30, 2012, Actuarial Valuation, effective July 1, 2013.

Be it further

RESOLVED that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended entry age **member contribution rates** for SamCERA active members of the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules provided by Milliman, Inc. in its June 30, 2012, Actuarial Valuation, effective July 1, 2013.

Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to transmit these rates and recommendations to the Board of Supervisors and to take all actions necessary to provide for their implementation effective July 1, 2013.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

RESOLUTION 12-13-__

**RESOLUTION ACCEPTING CONTRIBUTION RATES AND A RATE OF INTEREST TO
RECOMMEND TO THE BOARD OF SUPERVISORS FOR THE 2013-2014 FISCAL YEAR.**

WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board...” *shall, at least 45 days prior to the beginning of the succeeding fiscal year, recommend to the Board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and in the county and district appropriations as are necessary...*” and

WHEREAS, the Board has received and accepted the June 30, 2012, valuation report from its actuarial firm, Milliman, Inc., and

WHEREAS, the Chief Executive Officer has recommended, in agreement with Milliman, Inc., the contribution rates necessary to assure the actuarial soundness of the Retirement Fund,
Therefore, be it

RESOLVED that the Board hereby accepts the employer and member contribution rates as recommended by Milliman, Inc. in its June 30, 2012, Actuarial Valuation of the San Mateo County Employees’ Retirement Association effective for the fiscal year 2013-2014.

Be it further

RESOLVED that the Board recommends that the Board of Supervisors adopt the rate of interest (assumed investment return) of 7.50% per year, as recommended by Milliman, Inc. and the Board of Retirement.

Be it further

RESOLVED that the Board recommends that the Board of Supervisors adopt the recommended **employer contribution rates** for the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules provided by Milliman, Inc. in its June 30, 2012, Actuarial Valuation, effective July 1, 2013.

Be it further

RESOLVED that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended entry age **member contribution rates** for SamCERA active members of the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules provided by Milliman, Inc. in its June 30, 2012, Actuarial Valuation, effective July 1, 2013.

Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to transmit these rates and recommendations to the Board of Supervisors and to take all actions necessary to provide for their implementation effective July 1, 2013.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 5.4

To: Board of Retirement

From: David Bailey, Chief Executive Officer



Subject: Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.

Staff Recommendation: Staff recommends that the Board review the information summarizing Milliman, Inc.'s performance as SamCERA's actuarial services provider and comment accordingly during this agenda item.

Summary: Milliman again received high marks from the Board and staff for the services they provide to SamCERA. Ratings were similar to those of the last few years and all comments were constructive and positive.

Background: The annual evaluation of the SamCERA's actuarial services firm has three parts:

1. A survey completed by trustees, staff and the actuary
2. Responses to questions submitted to the actuary
3. A discussion at the Board meeting to present the findings of the survey and question responses.

1. Survey

This year the survey was provided online. Results were collected from six trustees, three staff members and one response was received from the actuarial firm. (Only one was allowed.)

As usual, ratings from staff and trustees were higher than that by Milliman of themselves. On a scale of 1 through 5, with 5 being the highest rating, staff gave the firm an average rating of 4.74; trustees rated the firm 4.51 and Milliman rated themselves at 4.00.

Please see the attached summary sheet for more details.

2. Responses to Questions

Milliman responded to a series of questions about the firm. Their responses are attached. Staff did not find any comments of concern.

3. Discussion at Board Meeting

SamCERA's consulting actuary, **Nick Collier, ASA**, will be available to respond to any questions or comments regarding the relationship.

Summary of Actuarial Performance Survey Results

Sept. 25, 2012


1= Low, 2=Below Average, 3=Average, 4=Above Average, 5=High

| | Board Results | Staff Results | Actuary Results | Average |
|--|---------------|---------------|-----------------|-------------|
| 1. How would you rate the firm's understanding of the system's goals and objectives? | 4.83 | 5.00 | 4.00 | 4.61 |
| 2. How would you rate the firm's ability to custom-tailor services? | 4.17 | 4.67 | 5.00 | 4.61 |
| 3. How would you rate the firm's ability to respond to plan sponsor needs? | 4.67 | 5.00 | 3.00 | 4.22 |
| 4. How would you rate the firm's ability to communicate effectively? | 4.50 | 5.00 | 4.00 | 4.50 |
| 5. How would you rate the firm's responsiveness to questions and requests? | 4.20 | 4.33 | 4.00 | 4.18 |
| 6. How would you rate the adequacy of information provided by the firm? | 4.83 | 5.00 | 4.00 | 4.61 |
| 7. How would you rate the firm's knowledge in their substantive actuarial areas? | 4.83 | 5.00 | 4.00 | 4.61 |
| 8. How would you rate the effectiveness of the firm's educational presentations? | 4.33 | 4.00 | 3.00 | 3.78 |
| 9. The firm provides practical and effective advice. | 4.50 | 4.67 | 4.00 | 4.39 |
| 10. The firm provides creative solutions to difficult problems. | 4.40 | 4.50 | 4.00 | 4.30 |
| 11. The firm achieves results that meet your expectations. | 4.67 | 5.00 | 4.00 | 4.56 |
| 12. The firm keeps you informed about the progress of your matters. | 4.40 | 4.33 | 4.00 | 4.24 |
| 13. The firm keeps you informed about changes in the law that could affect the plan | 4.33 | 4.67 | 4.00 | 4.33 |
| 14. The actuary demonstrates a high standard of ethics and integrity. | 4.33 | 5.00 | 5.00 | 4.78 |
| 15. What is your overall opinion of the firm? | <u>4.67</u> | <u>5.00</u> | <u>4.00</u> | <u>4.56</u> |
| Average | 4.51 | 4.74 | 4.00 | 4.42 |

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 5.5

TO: Board of Retirement
FROM: David Bailey, Chief Executive Officer 
SUBJECT: Presentation Regarding AB 340 and AB 197 Legal and Actuarial Impacts

During this agenda item the Board will hear about the legal and actuarial impacts of recent pension reform legislation.

AB 340 and AB 197 were signed by Governor Jerry Brown on September 12. The legislation is complex and a full understanding of its impacts will likely take some time. At the September 25 meeting, Brenda Carlson, SamCERA Chief Legal Counsel, and Nick Collier, Consulting Actuary, Milliman, Inc., will provide their preliminary analyses of the legislations' effects.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 7.1

To: Board of Retirement



From: Mabel Wong, Finance Officer

Subject: Preliminary Monthly Financial Report for the Period Ending August 31, 2012

COMMENT: The preliminary financial statements are postponed and will be available on board day due to staff/family leave of absence.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 7.2

To: Board of Retirement



From: Mabel Wong, Finance Officer

Subject: Report on Status of the Annual Financial Audit for Fiscal Year 2011-2012

STAFF RECOMMENDATION: Staff recommends that the board accept staff's oral report on the current status of the June 30, 2012 Financial Statement Audit conducted by *SamCERA's* auditor, Brown Armstrong Accountancy Corporation.

BACKGROUND: Government Code Section 31593 mandates that *"The retirement board shall conduct an audit of the retirement system at least once every 12 months and report upon its financial condition."* The board's external auditor, Brown Armstrong Accountancy Corporation, is a Certified Public Accounting firm hired to perform an audit of *SamCERA's* financial statements. The objective of this audit is to express an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. In addition the audit includes reports on internal controls related to the financial statements and compliance with laws, regulations, and the provisions of contractual agreements.

DISCUSSION: A Brown Armstrong audit team headed by Ms. Brooke DeCuir-Baird & Ms. Ashley Casey conducted interim audit work in *SamCERA's* office the weeks of June 25th and August 27th. Staff will provide an oral report on any open items, potential findings and possible discussion items.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 7.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Approval of Authorization for the Chief Executive Officer to Execute Documents and Take Certain Actions In Relation to Investments and Certain Securities Litigation Matters

STAFF RECOMMENDATION

Staff recommends the Board adopt two resolutions: one would authorize the Chief Executive Officer to execute documentation for investments as required, and the other would amend the Securities Litigation Policy.

SUMMARY:

At the Board's August meeting, the Board and staff discussed simplifying the investment management process by authorizing the Chief Executive Officer to execute investment related documents on behalf of the Board. In addition, the Board discussed limiting the Chief Executive Officer's authority to select alternative investment managers to those alternative investments that are valued at \$25 million or less and for which a decision must be made regarding such investments prior to the Board's next regularly scheduled meeting. The Board and staff have also discussed the related issue of amending the Securities Litigation policy to facilitate opt-ins to non-U.S. class actions and other litigation matters. The proposed resolutions provide a solution to the issues raised by staff and reflect the Board's guidance.

BACKGROUND:

Investment Documentation: Due to the growing number of SamCERA investment managers and the building out of its private equity allocation, the volume of manager-requested approvals for investment management documents has increased. Such approvals include the signing of initial agreements, changes to the agreements and the day-to-day operational needs of the investments. For example, SamCERA is asked to vote on certain issues arising out of limited partnerships that may or may not require a contract amendment. Often such requests have a deadline that is prior to the scheduled date of the next Board meeting.

SamCERA's current approach on such matters is to ask for the Board Chair's signature followed by ratification of the approval at the next Board meeting. This approach carries the risk that on some future issue the Board may not ratify the actions of the staff and Chair. In such case, SamCERA may or may not be able to unwind the decision.

Alternative Investment Decisions: Frequently, in order to take advantage of an alternative investment opportunity, SamCERA must act prior to the next regularly scheduled Board meeting.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Currently, the staff, in consultation with the investment consultant and legal counsel, and with signature authority from the Board Chair, has the authority to approve such opportunities per Resolution 10-11-21. This resolution was passed at the May 2011 Board meeting because, for some private equity investments, "... the time between sourcing alternative investments and the need to execute a commitment, including all documentation, cannot be achieved within the board's meeting schedule." (Minutes of the Board of Retirement, May 2011) Staff believes that it would be in the best interests of SamCERA that the authority to sign alternative investment documentation be delegated to the Chief Executive Officer. However, staff further believes it is appropriate to limit the dollar amount of the staff (CEO's) investment approval authority to alternative investments of \$25 million or less, if such investment decision must be made prior to the next regularly scheduled Board meeting and as long as such decision is in the best interest of the investment fund and consistent with applicable Board policy.

Securities Litigation Policy: Another related delegation of authority involves a proposed amendment to the Securities Litigation Policy to reflect changes in the law and also to address the handling of legal matters not previously covered in the policy. SamCERA's custodial bank is not responsible for filing claims in certain routine asset recovery matters such as, but not limited to, class action type claims filed in courts not located in the United States or claims filed in bankruptcy matters. Due to timing issues and the routine nature of these claims, staff recommends that the Chief Executive Officer, in consultation with the Chief Legal Counsel and Chief Investment Officer, have the authority to file such a claim or action without seeking Board approval or ratification.

DISCUSSION

If the Board approves the resolution entitled "Authorization for the Chief Executive Officer to Execute Documentation for Investments as Required" the Board would:

- Authorize the Chief Executive Officer, in consultation with investment staff and legal counsel, to execute any and all documentation with SamCERA's external investment managers, on behalf of the Board, in order to effectuate the Board's investment decisions and to respond to the demands of the day-to-day operations of the investments.
- Authorize the Chief Executive Officer, in consultation with the Board's Investment Consultant, investment staff and legal counsel, to make investment decisions for those alternative investments of \$25 million or less if such decision must be made prior to the date of the next regularly scheduled Board meeting and as long as such decision is in the best interest of the investment fund and consistent with applicable Board policy.
- Require the Chief Executive Officer to report to the Board at a subsequent regularly scheduled meeting all significant actions taken.

If the Board approves the amendment to the Securities Litigation Policy, the Board would:

- Authorize the Chief Executive Officer to file claims in certain routine asset recovery matters such as, but not limited to, class action type claims filed in courts not located in the United States or claims filed in bankruptcy matters, if the Chief Executive Officer, in consultation with the Chief Legal Counsel and Chief Investment Officer, determines that it is in the best interest of SamCERA to do so. (The new language is highlighted in yellow on the attached policy.)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

**AUTHORIZATION FOR THE CHIEF EXECUTIVE OFFICER TO EXECUTE
DOCUMENTATION FOR INVESTMENTS AS REQUIRED**

RESOLUTION 12-13-____

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

WHEREAS, Government Code §31595 vests in the Board *" . . . exclusive control of the investment of the employees retirement fund."*; and

WHEREAS, Government Code §31596.1 (d) authorizes the Board to retain investment managers *" . . . in connection with administration of the Board's investment program . . . "*; and

WHEREAS, the Board's Investment Consultant and Chief Investment Officer bring investment opportunities and investment decisions to the Board for its determination; and

WHEREAS, after the Board has made a determination to invest SamCERA funds with external managers, or to increase, decrease or otherwise change the amount of such investments, there is certain documentation that must be executed on behalf of the Board in order to effectuate the Board's decisions and to respond to the demands of the day-to-day operations of the investment; and

WHEREAS, the Board has determined that it is in the best interest of the fund that the Chief Executive Officer have the authority to execute any and all documentation with the external manager on behalf of the Board in order to effectuate the Board's investment decisions and to respond to the demands of the day-to-day operations of the investment; and

WHEREAS, the Board has determined that in regards to certain Alternative Investments opportunities that, due to the timing of such investments, that the Chief Executive Officer have the authority to make the investment decision as long as such decision is consistent with the Board policy; and

RESOLVED that the Board hereby authorizes the Chief Executive Officer, in consultation with staff and legal counsel, to execute any and all documentation with SamCERA's external investment managers, on behalf of the Board, in order to effectuate the Board's investment decisions and to respond to the demands of the day-to-day operations of the investments. Be it further

RESOLVED that the Board hereby authorizes the Chief Executive Officer, in consultation with the Board's Investment Consultant, staff and legal counsel, to make investment decisions for those Alternative Investments of \$25 million or less if such decision must be made prior to the date of the next regularly scheduled Board meeting and as long as such decision is in the best interest of the investment fund and consistent with applicable Board policy. Be it further

RESOLVED that all significant actions of the Chief Executive Officer authorized by this resolution shall be reported to the Board at a subsequent regularly scheduled meeting. Be it further

RESOLVED that this resolution shall supersede provisions contained in resolutions previously adopted by the Board that are inconsistent with the provisions set forth in this resolution.



SamCERA
Securities Litigation Policy
Adopted by the Board of Retirement
January 25, 2011
Amended September 25, 2012

PURPOSE

In order to protect the assets of the fund, the Board of Retirement adopts this policy to establish procedures and guidelines for *SamCERA*'s active participation (as a lead or named plaintiff) in securities class actions. Such participation will be in addition to, or in lieu of, *SamCERA*'s participation as a passive member in such actions.

STATEMENT OF FUNCTIONS AND RESPONSIBILITIES

1. *Review of Class Action Filings*

The Board of Retirement shall select and retain one or more private law firms to identify and evaluate potential securities class action filings in which *SamCERA* would be a member of the class. Firms will only recommend active participation to *SamCERA* when they believe that without such participation *SamCERA*'s rights and interests will not be represented in a case.

2. *Determination of Active Participation By SamCERA*

If *SamCERA* is asked to actively participate in a case, the Chief Executive Officer, after considering the factors listed below, and in consultation with the Chief Legal Counsel, shall determine whether *SamCERA* will take an active role in a securities class action, or decline to do so.

The following factors will be considered:

- a.) the likelihood of achieving a recovery
- b.) the probable net amount of recovery (the probable amount of recovery less the estimated costs of staff and Chief Legal Counsel time and any other costs)*
- c.) the impact on the amount of recovery that would likely result from *SamCERA* participation as lead or named plaintiff
- d.) whether *SamCERA*'s rights and/or interests may in fact be preserved by active participation
- e.) staff's and Chief Legal Counsel's potential workload
- f.) any other relevant factors

* Any estimated likely recovery amount must far outweigh any estimated participation costs (mainly staff and Chief Legal Counsel time) so as to eliminate any likelihood of a net loss due to active participation.

The Chief Executive Officer and Chief Legal Counsel shall provide to the Board of Retirement a written report of all affirmative determinations to actively participate. Such report will be provided at the next regular board meeting held after an affirmative determination is made. The report shall reflect the Chief Executive Officer's determination based upon the factors listed above. The report shall be placed on the Consent Agenda under Anticipated Litigation for the Board's approval. Any Board member has the authority to remove the report item for discussion and determination in closed session.

3. Asset Recovery

This policy shall not relieve *SamCERA's* custodial bank from its responsibility for filing all proofs of claim, including the necessary supporting documents and information, necessary to recover assets in every securities class action proceeding in which *SamCERA* has potentially suffered losses. If *SamCERA's* custodial bank is not responsible for filing claims in certain routine asset recovery matters such as, but not limited to, class action type claims filed in courts not located in the United States or claims filed in bankruptcy matters, and the Chief Executive Officer, in consultation with the Chief Legal Counsel and Chief Investment Officer, determines that it is in the best interest of *SamCERA* to file such a claim or action, the Chief Executive Officer is authorized to take all necessary steps to recover assets in these matters without seeking Board approval or ratification.

4. Reports to the Board on Active Litigation

The Chief Legal Counsel shall provide the Board with status reports as needed to keep the Board apprised of major developments in cases in which *SamCERA* is an active participant.

5. Retention of Outside Counsel

For cases in which *SamCERA* becomes an active participant, all retainer agreements shall be negotiated and submitted for approval, in advance, to the Board of Retirement. However, where it is determined that immediate approval is required in order to preserve *SamCERA's* rights and/or interests by retaining such counsel, the Chief Executive Officer in consultation with the Chief Legal Counsel is authorized to make the decision, subject to ratification by the Board.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 7.4

TO: Board of Retirement
FROM: David Bailey, Chief Executive Officer
SUBJECT: Approval SamCERA's Strategic Plan Update



Staff Recommendation

Staff recommends the Board approve the attached update to the SamCERA Strategic Plan.

Background

The Strategic Plan is the product of staff's annual retreat. It represents the best thinking of staff regarding those tasks that staff undertake during the next fiscal year in order to fulfill the mission and goals statement of SamCERA.

Mission

SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.

Goals

Provide caring, fair, accurate, timely and knowledgeable professional service to SamCERA's clients and the public.

Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system and assure the ability to pay all earned benefits while minimizing the costs to employers.

Constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.

This year's document is an update to the Strategic Plan, rather than a full redraft. The update mainly concerns the Action Matrix, which is a list of the tasks to be undertaken.

Each of the tasks in the SamCERA Action Matrix is tied to the achievement of one of the above goals. Please read the Executive Summary in the attached Strategic Plan Update for a summary of the major tasks today associated with these goals.



San Mateo County Employees' Retirement Association

Strategic Plan

2012-13 UPDATE TO THE 2011-12 PLAN

Executive Summary

This is an update of SamCERA's 2011-12 Strategic. This update covers the fiscal year 2012-13. Some projects identified in this plan will extend beyond that time period. The Update includes this summary and the Action Matrix, which lists and describes the projects staff will pursue during the year. All the steps in the Strategic Planning process leading up to the writing of the report were conducted as usual this year. All staff held a retreat in May 2012 and reviewed the Mission and Goals, discussed the strengths and weaknesses and opportunities and threats facing SamCERA. The result of these discussions is the Action Matrix below.

Staff will provide a full review and rewrite the plan for the 2013-14 fiscal year.

During the 2012-13 fiscal year SamCERA will continue to pursue its three major goals, all of which are derived from and consistent with SamCERA's mission statement.

Asset Management Goal

Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement association.

Major projects under this goal include continuing to build out the private equity portfolio, welcoming and orienting a new Chief Investment Officer, and assuring that the contribution rates for all new tiers are accurately actuarially assessed.

Customer Services Goal

Provide caring, fair, accurate, timely and knowledgeable professional services to SamCERA's clients and the public. Constantly improve the effectiveness of SamCERA's services.

This goal will include the development of a Comprehensive Communications Plan to take into account increasing member needs for education and working closely with the County staff to assure that new tiers and other system changes resulting from pension reform are implemented properly.

Operations Goal

Constantly improve the effectiveness and efficiency of SamCERA's operations.

This will include taking the next steps to upgrade SamCERA's core technologies and assuring that staffing is adequate during the projects and after they are complete.

It will also include preparing for and implementing new pension tiers due to the passage of pension reform legislation.

Each goal has a number of specific projects designed to help achieve it. The projects incorporate ideas generated during all staff retreats beginning in 2005. The 2012-13 plan is SamCERA's seventh under the Government Finance Officers' Association Strategic Planning approach. There are now 41 projects for the staff to initiate and/or complete during the 2012-13 fiscal year. During the previous plan year, the staff completed 14 projects. Projects that were not completed but still relevant were moved to the 2012-13 Plan. In the previous six years staff have completed a total of 126 projects, all over and above their regular duties.

2012-13 Action Plan Matrix

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|---------------------|------|--|--|----------------|---|
| 1 | Asset Management | B | SamCERA has contracted with Zeno for one year of trade cost analysis services. How can SamCERA best utilize the results? | <i>The information will not likely result in significant revelations regarding investment manager trading skill. However, it will provide an additional data set for the board and staff in analysis of manager performance.</i> | Finance | <i>To be discussed in fall 2012.</i> |
| 2 | Asset Management | A | Actuarial assumptions for early retirement calculations may need adjustment due to changes in member demographics. | <i>Review early retirement calc assumptions with actuary along with Arc. Ask actuary if still should be same as ARC.</i> | Finance | COMPLETED: <i>Reviewed during 2011 experience study</i> |
| 3 | Asset Management | A | Actuarial assumptions for ARC may need adjustment due to changes in member demographics. | <i>Now that SamCERA has ARC experience, review ARC assumptions with actuary.</i> | Administration | COMPLETED: <i>Reviewed during 2011 experience study.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------------|------|---|--|-------------|--|
| 4 | Asset Management | A | SamCERA has vastly increased the diversification of its fund resulting in an increase in investment management firms from 10 in 2009 to 33 as of 2012. Additional firms will be added as SamCERA builds out its private Equity portfolio. The addition of firms and the introduction of private equity firms has increased the need for staff interaction, monitoring and review of each firm's activities. | <i>All of the top candidates for SamCERA CIO indicated the Investment Division would need additional staff due the tripling of the number of managers as well as the addition of private equity managers. Staff will analyze the staffing of the Investment Division and make a recommendation to the Board.</i> | Investments | <i>Plan to present a recommendation to the Board regarding Investment Division staffing in fall 2012.</i> |
| 5 | Asset Management | A | <i>SamCERA's Investment Policy has not had a significant review for several years.</i> | <i>The new CIO will work with the Retirement Board to review the Investment Policy.</i> | Investments | <i>CIO Mike Coultrip discussed a process to review the Investment Policy at the August 2012 board meeting.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------------|------|---|--|------------------|---|
| 6 | Asset Management | B | SamCERA's auditing of county payroll data must be enhanced to comply with new sections of the CERL and for improved compliance with IRS requirements. | Continue auditing county payroll data, retiree health insurance deductions, eligibility data etc. at a deeper level including membership eligibility and spiking identification. Determine if Board Regulations are necessary to set forth the new auditing procedure. | Finance/Benefits | ONGOING. Make this effective with the June 30, 2013, year-end audit. SamCERA and its audit firm to work with county HR and its independent auditor to develop a plan to verify data. COMPLETED: Health Insurance Deductions-- Mabel and Brenda to draft certification and process form for HR/Benefits to complete. |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------------|------|---|---|----------|---|
| 7 | Asset Management | B | <p>The Government Accounting Standards Board has issued new statements that affect retirement plans including SamCERA. Statement No. 67, <i>Financial Reporting for Pension Plans</i>, revises existing guidance for the financial reports of most pension plans. Statement No. 68, <i>Accounting and Financial Reporting for Pensions</i>, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.</p> | <p><i>Per GASB, "The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014." SamCERA must work with its actuarial and auditing firms, as well as the County of San Mateo, to make sure that implementation of these new rules is performed in an accurate and timely manner.</i></p> | Finance | <p><i>Accordingly, SamCERA's first annual report under the new Statement 67 will be issued in the fall of 2014 to cover the 2013-14 fiscal year. The County's first annual report under Statement 68 will be issued in the fall of 2015 to cover the 2014-15 fiscal year.</i></p> |
| 8 | Asset Management | A | <p>The annual financial audit of the retirement system is always done on a tight timeline. The audit of the FY 11-12 financial records will be even more challenging with the addition of several investment managers as well as the complexity of the private equity investments.</p> | <p><i>Staff must schedule tasks appropriately and coordinate in detail with the auditing firm in order to meet all deadlines. Staff will also continue to work with investment managers, auditors and actuaries to provide the most recent information for the audit.</i></p> | Finance | <p><i>Audit to be concluded and presented at the October 2012 board meeting. Comprehensive Annual Financial Report to be finalized in November.</i></p> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------------|------|--|--|------------------------|---|
| 9 | Asset Management | A | The passage of pension reform legislation will require new payroll reporting changes by all SamCERA employers. | <i>Work with SamCERA employers to assure that appropriate and timely changes are made to payroll reporting.</i> | | <i>Must be in place by Jan. 1, 2013.</i> |
| 10 | Asset Management | A | SamCERA's best option to assure that actuarial rates are calculated within actuarial standards and that all benefit costs are included in the calculated rates is to employ a separate actuarial firm to audit the work of SamCERA's retained actuarial firm. With the negotiation of new benefit plans and tiers in 2011 and the new tiers that have resulted from Pension Reform legislation, it is even more important that SamCERA assure the accuracy of its actuarial calculations through independent audits. | <i>Plan to increase the frequency of actuarial audits from once every six years to once every two to three years. Determine whether it is feasible to audit every two years or whether holding audits in conjunction with each triennial experience study is more appropriate.</i> | Finance/Administration | <i>A determination of whether to ask for an actuarial audit of the June 30, 2013 valuation, or June 30, 2014 valuation and experience study, needs to be made at the earliest by January 1, 2013.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------------|------|---|--|------------------------|--|
| 11 | Asset Management | B | The reporting of performance results for alternative investments is often delayed for a longer period than for traditional investments. This has created a need to develop a policy regarding interest crediting to member accounts because, in order to perform the crediting process in a timely manner, it may be necessary to use preliminary performance data or estimated data. | <i>Staff will work with the Board and its Audit Committee to review what changes may need to be made to the Interest Crediting Policy.</i> | Finance/Administration | <i>Audit Committee meeting to be scheduled before end of 2012.</i> |
| 12 | Asset Management | B | SamCERA deducts the cost of health insurance premiums from retiree benefit payments and passes these amounts on to the county and its health insurance providers. SamCERA has a responsibility to assure that all such deductions are accurate. | <i>Continue to explore methods to assure the accuracy of health insurance deductions with the County Benefits Division.</i> | Finance/Legal | <i>Benefits Division is now certifying all benefit deductions.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|-------------------|------|---|---|--------------------------------|---|
| 13 | Asset Management | A | San Mateo County is implementing a new payroll system. SamCERA receives data from the system with each bi-weekly payroll issuance. It is important that the new payroll system integrate well with SamCERA's current and future technology. | <p><i>Ensure SamCERA is kept in the loop regarding the implementation of the new payroll system.</i></p> <p><i>Ensure that programming rules are kept intact.</i></p> <p><i>Ensure existing files don't change.</i></p> | Information Technology/Finance | <p><i>ONGOING: SamCERA was invited to the vendor demonstrations for the County's new HR/Payroll System. SamCERA is also included in the bi-weekly PIPS Solution Committee meetings. Staff will continue to monitor until new payroll system is implemented.</i></p> |
| 14 | Customer Services | B | Member education is a key to successful retirement planning and the most effective use of SamCERA benefits. Many members are without financial management knowledge. | <p><i>Develop Member Education Master Plan to continue strengthening member education programs.</i></p> <p><i>Include: Regular attendance at training/meetings of payroll clerks, use of website and advices to notify members of new information, update of the Survivor Handbook, use of more focus groups for publications, web site, etc.</i></p> | Communications/Benefits | <p><i>Complete the Member Education Master Plan by start of 2013-14 fiscal year.</i></p> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|-------------------|------|---|--|-------------------------|---|
| 15 | Customer Services | A | Communications with SamCERA's plan sponsors is good but must be a focus in order to be maintained and improved. | <ul style="list-style-type: none"> • Reach out to Mosquito & Vector Control District members more often and assure that they are invited to workshops • Communicate with county leadership regarding budgeted positions, CIO search, Assumed Rate, GASB Changes • Communicate concerns about BENESYST • Work with County to set standards for SamCERA involvement and communications during union negotiations | Administration/Benefits | <p><i>Much of this task has been completed or is ongoing. In May 2012, The CEO and AEO noted in discussion with the County Manager that additional positions may be requested. They also garnered county manager support for lowering the assumed rate. As of May 2012, the County Controller and SamCERA are in agreement that GASB changes should be implemented for the 2013-14 CAFRs. The county leadership was involved in the CIO search and SamCERA is in agreement with the Controller's Office regarding the timing of GASB changes.</i></p> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|-------------------|------|--|--|----------|---|
| 16 | Customer Services | A | To achieve the best service for members who apply for disability retirement, staff must balance the need to accurately determine each applicant's legal and medical qualifications for disability with the need for timely processing of applications. | <ul style="list-style-type: none"> • Review and update board disability regulations, application forms and form letters. • Identify which steps in the process take the most time • Update the Disability pamphlet • Use workflow as tool to facilitate processing • Inform Risk Management of increase in disability by dept. • After pension reform legislation implemented, SamCERA will undertake more outreach with Risk Management | Benefits | Backlog has been reduced and processing more streamlined. Additional work continuing. |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|-------------------|------|--|--|----------------|---|
| 17 | Customer Services | A | The County had eliminated 500 positions due to the recession through the end of FY 2011-12 and is likely to eliminate at least 200 more positions during FY 2012-13. | <i>SamCERA is prepared to address the service needs of these employees.</i> | Benefits | <i>COMPLETED. The 200 employees of the Burlingame Long-term Care Center were laid off in July 2012. Staff provided assistance to HR on early retirement offers, conducted on-site counseling, answered questions via email or by phone and processed refunds and rollovers in a timely manner. Completed August 2012.</i> |
| 18 | Customer Services | A | Members who want to sign up for financial training classes sponsored by SamCERA often have difficulty doing so. | <i>Assist members who have difficulty signing up. Consider methods to improve the sign-up process. Work with the administrators of the LMS system to facilitate signups.</i> | Communications | ONGOING: <i>Staff has brought up LMS issues to HR's training division and in the meantime, staff continues to assist members. The County is currently conducting a study of LMS.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|-------------------|------|---|---|-------------------------|--|
| 19 | Customer Services | B | SamCERA has seen an increase in the number of members applying for disability retirements. | <i>Monitor the disability retirement statistics to determine if this is a trend expected to continue and plan accordingly. The new pension administration software system will have workflow capabilities to help better track the various disability processes. In the meantime, staff will research tools to assist with this process</i> | Communications/Benefits | <i>To be completed end of January 2013.</i> |
| 20 | Customer Services | A | The Annual SamCERA Customer Services Survey has revealed much about what SamCERA members think of the services provided, but has not yielded much new information for the last few years. | <i>Replace the annual survey with point-of-service surveys.</i> | Communications/Benefits | COMPLETED: Point-of-service surveys were created for on-site visits (June 2012) and email/phone call inquiries (July 2012). Will explore ways to capture information on other services provided – Completion by early spring 2013. |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|-------------------|------|--|--|-----------------------------------|--|
| 21 | Customer Services | B | With new plans and tiers of members, the complexity of benefits processing has increased significantly. Forms used for benefits processing is one area where better form control will be needed. | <i>Create form numbering scheme to help organize forms.</i> | Communications/ Benefits/Legal | <i>Form numbering scheme in process. New forms are now needed due to pension reform. Due Jan. 1, 2013.</i> |
| 22 | Operations | B | SamCERA's Website is well appreciated by members, but could be improved. | <i>Create new website with Web Member Services integrated. Add site map to website (during website redesign). Work on technology and procedures to allow web updates from staff.</i> | IT/Communications | <i>Chris Hawkins will work with staff to develop new website for a fiscal 2012-13 launch. Chris is also working with Colin Bishop regarding design, look and feel.</i> |
| 23 | Operations | A | Employees of SamCERA believe that SamCERA is a very good place to work. | <i>Staff should define the aspects of SamCERA's culture and work environment that make it a good place to work. Develop comments into a SamCERA Values Statement.</i> | Administration | <i>A value statement has been drafted for review at a future staff meeting.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------|------|--|---|------------------------|---|
| 24 | Operations | B | It is important to preserve and have the ability to access and transfer institutional knowledge. | <i>Implement and train on using Confluence as a database. Person by person or section by Section? Put together schedule to use Confluence as a database going forward, for procedures, decisions made internally.</i> | IT/Benefits | <i>Ongoing: Gradually being utilized as a repository of information</i> |
| 25 | Operations | C | The national date for the Take Our Daughters And Sons To Work® program is the fourth Thursday in April. Staff would like to participate in order to give their children a better understanding of what they do. | <i>Plan a program to allow staff to bring their children to work.</i> | Administration | <i>Organize a staff volunteer committee in January 2013.</i> |
| 26 | Operations | B | In FY 10-11 SamCERA staff acquired electronic copies of all Board of Supervisors' and Mosquito resolutions and made them readily available. Now as new resolutions from these entities are passed, SamCERA needs access to them as well. | <i>Develop an ongoing procedure to keep copies of employer resolutions up to date and readily available. Determine what documents are needed from Courts and Mosquito.</i> | Administration / Legal | <i>Ongoing procedure to be developed in fall 2012 regarding management of electronic copies of resos. Have Exec Secretary check BOS Agendas. Develop procedure. Subscribe to lists and check minutes of Mosquito District for retirement resos.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------|------|---|---|----------------|--|
| 27 | Operations | C | Today SamCERA retirees receive paper advices each month with the amount of their monthly payment and deductions. This is a costly method of supplying this information. | <i>Consider methods to convert to provision of monthly payment information via an electronic method. Will look at the feasibility of putting advice information on web member services.</i> | Administration | <i>To be completed by spring 2013.</i> |
| 28 | Operations | A | SamCERA's Chief Investment Officer has retired after 23 years of service. Orientation for the new CIO will be substantial in order to replace the lost institutional knowledge. | <i>Develop an Orientation Plan for the new CIO.</i> | Administration | COMPLETED. <i>As of August 2012 the new CIO was on board and had gone through several hours of orientation. Additional meetings with SamCERA's investment consultant and custodian are scheduled.</i> |
| 29 | Operations | C | SamCERA benefits from the long term safety and wellness of its employees. | <i>Staff should consider all opportunities to promote a healthy and safe work environment and life styles.</i> | Administration | ONGOING: <i>Sue is SamCERA's wellness champion. She attends regular wellness committee meetings and shares information she receives.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------|------|--|--|----------------|---|
| 30 | Operations | C | The Executive Secretary drafted a list of SamCERA's commonly used acronyms. This is a potentially valuable resource for new employees and trustees. | <i>Staff should continue building out the acronyms list.</i> | Administration | ONGOING. |
| 31 | Operations | B | If additional staffing and temporary contractors are necessary due to the IT projects, and if new positions are required in the Investments and Benefits Divisions, where would they be located? | <i>Staff should start investigating whether it can accommodate any new staff within its current office space or if additional space would be needed.</i> | Administration | <i>Begin space planning review in early 2013.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------|------|---|--|----------------|---|
| 32 | Operations | A | SamCERA must be prepared to react to all types of emergencies that might affect the ability of the association to fulfill its responsibilities. | <p><i>Staff will:</i></p> <ul style="list-style-type: none"> • <i>Create a committee to meet every two months to review and recommend steps to improve safety and emergency preparedness</i> • <i>Annually review and update the Safety and Emergency Plans.</i> • <i>Continue to hold table top exercises at Staff Meetings</i> • <i>Document the technology emergency plan (for PensionGold, backups, etc.)</i> • <i>Document the retiree payroll plan (PensionGold, moving funds, creating and sending files)</i> • <i>Keep the emergency contacts information up to date</i> | Administration | <i>Create a Safety and Emergency Planning Committee in fall 2012.</i> |
| 33 | Operations | A | SamCERA currently has 20 staff members and there is only a limited amount of backup for members who retire or otherwise terminate. | <i>Update the Staffing Plan. Continue developing succession plans for all management staff. Work with the Board's Succession Planning Committee.</i> | Administration | <i>Review the Staffing Plan in early 2013.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------|------|--|---|--------------------------|--|
| 34 | Operations | B | There are occasional misunderstandings about the requirements of the SamCERA Travel Policy. | <i>Staff will develop a "Helpful Hints" brochure for the use of trustees and staff.</i> | Administration/ Legal | COMPLETED. A Travel Tips brochure was issued in August 2012. |
| 35 | Operations | A | The County's negotiations with its 10 bargaining units resulted in the addition of several additional retirement plans and tiers in the SamCERA plan, significantly increasing the complexity of the system in the areas of benefit communications, counseling, enrollment, data processing and accounting. In addition, the number of retirements per year is increasing. | <i>Staff will work with LRWL regarding whether additional staffing and/or cross training will be required. Staff will also develop a naming scheme for all plans/tiers.</i> | Administration/Legal | <i>Communications booklets have been written for all plans as of May 2012. The staffing plan update is partially complete, but must now take into account the issues of recent pension reform legislation.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------|------|--|--|------------------------|---|
| 36 | Operations | A | SamCERA's pending technology projects present opportunities to improve efficiency and accuracy while avoiding the generation of errors that could occur as the current systems age. These opportunities will only be realized with an excellent project management firm. To help assure the firm SamCERA has hired is adequate to the task, the contract with the firm includes a decision point, following the requirements development phase, at which SamCERA will determine whether to continue with the firm or seek another. | <i>Develop a plan and process to fully evaluate LRWL for continued service as the project manager for the implementation phase of SamCERA's technology projects.</i> | Information Technology | <i>Staff will assess whether or not to continue with its Project Management firm well prior to the end date of the LRWL contract in Sept. 2013.</i> |
| 37 | Operations | B | Web Member Services allows members with access to the County Intranet to view information about their accounts. To date, security concerns have prevented SamCERA from making this information also available to retired members via the Internet. | <i>Proceed with tests of security protections for WMS provided via the Internet.</i> | Information Technology | <i>Currently working on the implementation. To be completed in spring 2013.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------|------|---|--|---------------------------------------|---|
| 38 | Operations | B | As SamCERA moves forward with its technology update projects, it may be possible to leverage some of the capabilities of the County's technology systems. | <i>Utilize ATKS and/or LMS data to integrate with new pension software and/or web member services.</i> | Information Technology | <i>As the IT Modernization projects progress, SamCERA will work with the County's HR Department and Controller's Office.</i> |
| 39 | Operations | A | SamCERA's major information technology projects, scheduled for the next few years, will require a significant level of staff time to assure that the products produced are effective for staff user and their member clients. This raises the potential for a decrease in the levels of customer service. | <i>SamCERA's IT Project Manager, LWRL, Inc., will produce a two-phase staffing plan to recommend staffing actions/changes during project development as well as after the projects are complete.</i> | Information Technology/Administration | <i>IT staffing report finished by LRWL in October 2012. Position request to be brought to Retirement Board in Sept. 2012. LRWL began interviewing staff regarding other parts of the staffing report in August.</i> |
| 40 | Operations | B | In early 2011, SamCERA applied to the IRS for a Tax Determination Letter and acceptance of its Voluntary Compliance Program plan. | <i>Continue to work with tax counsel (Hanson-Bridgett) to keep abreast of developments as the IRS reviews the applications of public pension plans nationwide.</i> | Legal | <i>The IRS has been studying the issues surrounding normal retirement age and issued advice in mid-2012, confirming SamCERA's use of one NRA for Safety and another for General members. No other recent information has been received.</i> |

| ID# | GOAL | RANK | ISSUES / LINKS | ACTIONS | LEAD DIV | TIMING / STATUS |
|-----|------------|------|---|---|----------------|---|
| 41 | Operations | A | <p>“Pension reform” legislation passed the California Legislature at the end of August 2012. It was soon after signed by the Governor and goes into effect January 1, 2013.</p> | <p><i>SamCERA is studying the legislation passed in August and preparing to work with County and other employers to implement it.</i></p> | Legal/Benefits | <p><i>Update provided to the Board at the Sept. 25 board meeting.</i></p> |

2011-12 Action Plan Matrix

| ID# | GOAL | R A N K (ABC) | ISSUES | ✓ ACTIONS | LEAD DIV | TIMING/ STATUS |
|-----|-------------------|---------------------------|--|---|------------------|---|
| 4 | Customer Services | A | Member statements for 2009 had problems with some pages mismatched. | <i>Solution for 2010 is to put all data on one page.</i> | Benefits Finance | COMPLETED. Member Statement redesigned as of 09/2010 |
| 5 | Customer Services | A | IRS rules require distribution of a benefit to termed members at or over age 70 & ½ if they are no longer working. | <i>Identify termed members over age 70.5 and initiate process to provide them a benefit.</i> | Benefits | COMPLETED. Procedure being written for inclusion in Retirement Analyst manual (Liz). Age list should be reviewed quarterly or semi-annually? Payments should begin before each member reaches 70.5. Ask Blum if we should set up accounts to pay those we can't fund. |
| 6 | Customer Services | B | Turnout for Trustee Elections is low, around 20%. | <i>Research the use of Internet Elections. Revise board regulations if approved by board.</i> | Admin | COMPLETED. Board approved use of internet for 6/10 elections. |

| ID# | GOAL | R A N K (ABC) | ISSUES | ✓ ACTIONS | LEAD DIV | TIMING/ STATUS |
|-----|------------------|---------------------------|---|--|-------------|--|
| 13 | Operations | B | Board of Supervisors' and Mosquito resolutions on <i>SamCERA</i> not readily available. | <i>Visit county and Mosquito offices to locate and copy resos.</i> | Admin | COMPLETED. Visits completed. Copies being scanned. |
| 15 | Operations | B | A service is available to assist pension plans in determining the cost effectiveness of their operations. | <i>Consider working with the Cost Effectiveness Management (CEM) firm to assess SamCERA services.</i> | Admin | COMPLETED. CEM agreement approved by board. Survey data due Sept. 1. Will also take part in Alameda Survey. |
| 20 | Operations | C | Hard to keep boardroom door into offices open. | <i>Research alternative methods.</i> | Admin | COMPLETED. Gladys purchased new doorstep. |
| 23 | Operations | B | Board packets are often too large to carry | <i>Research and acquire eBook Readers for board members who want them.</i> | IT | COMPLETED. Research completed. Apple iPad recommended to Board. Policy for use being developed. |
| 26 | Asset Management | A | Passage of AB1584 requires <i>SamCERA</i> to adopt a Placement Agency policy by June 30, 2010. | <i>Staff will work with County Counsel to draft a policy for review by the board. Policy must be adopted by June 30, 2010.</i> | Finance | COMPLETED. Policy adopted by board in May 2010. |

| ID# | GOAL | R A N K (ABC) | ISSUES | ✓ ACTIONS | LEAD DIV | TIMING/ STATUS |
|-----|------------------|---------------------------|---|--|-------------|--|
| 27 | Asset Management | A | IRS Tax determination letter due in 2011. | <p><i>Plan is to work with Hanson-Bridget and County Counsel to meet the Cycle E (January 2011) deadline. Identify changes to complete prior to submission of letter request. Hyperlink all key documents to review document. Determine submission packet process. Determine Voluntary Compliance Program needs and process.</i></p> | Admin | <p>COMPLETED. Review process substantially complete as of 8/17/10. Meeting held with Judy Boyette held to discuss issues on 8/17/10. Focus now in on application packet. County Counsel putting “plan document” draft together.</p> |
| 28 | Asset Management | A | It is prudent from time to time to open consultant contracts to proposals from others in the marketplace. The process allows the staff and board to learn what services are available and compare companies. SIS has been SamCERA’s investments consultant for several years. | <p><i>Issue an RFP for Investment Consultant Providers.</i></p> | Finance | <p>COMPLETED. RFP issued and responses received. Four candidates interviewed by the board at the Feb. 23, 2010 meeting. SIS retained.</p> |

| ID# | GOAL | R A N K (ABC) | ISSUES | ✓ ACTIONS | LEAD DIV | TIMING/ STATUS |
|-----|------------------|---------------------------|--|---|-------------|---|
| 29 | Asset Management | A | The high correlation in recent years between traditional investment classes raises the question of whether a traditional asset allocation will yield sufficient diversification long term. | <i>Schedule a board-staff-consultant educational review/discussion of asset allocation and the addition of alternatives. Conduct an asset allocation study.</i> | Finance | COMPLETED. Conduct asset liability study in summer/fall 2010. Schedule educational presentations as needed. Plan March 2011 board retreat. |
| 32 | Asset Management | B | <i>SamCERA</i> relies on its custodian to track securities litigation. This provides a limited service and means no one is monitoring the custodial activities. | <i>Issue an RFP for securities litigation firm.</i> | Finance | COMPLETED. Final agreements with Berman DeValario, Grant & Eisenhofer, and Bernstein Litowitz approved at 8/24/10 board meeting. |
| 37 | Asset Management | A | Mosquito Abatement District board has requested the cost of adopting the current county formulas. | <i>Provide cost of higher formulas to the district.</i> | Admin | COMPLETED. Cost letter from actuary provided in January 2010. Mosq. Board passed reso in July 2010 adopting higher formulas, effective July 1. |

| ID# | GOAL | R A N K (ABC) | ISSUES | ✓ ACTIONS | LEAD DIV | TIMING/ STATUS |
|-----|------------------|---------------------------|--|--|-------------|---|
| | Asset Management | B | As a result of an asset/liability study and in order to further diversify the fund's investments, over the last two years the Retirement Board has more than doubled the number of investment managers. This change puts time pressure on the board's current approach to annual review of investment managers. Staff needs to work with the board to develop a revised strategy for review. | <i>Consider delegating annual investment manager reviews to staff and consultant other than those managers who are underperforming or for other reasons the board chooses to review.</i> | Invest | COMPLETE. <i>The board approved delegation of investment managers to staff at the March 2011 meeting.</i> |

Conclusion

This update of the *SamCERA* Strategic Plan builds on the work of past plans beginning in 2005 and continues the efforts to improve operations, financial management, and customer services.

By pursuing the tasks summarized in this plan, *SamCERA* will move forward with its need to modernize its technology, further diversify its assets, and improve communications and services to members.

By achieving the goals of this plan, *SamCERA* will continue to fulfill its mission:

To serve as loyal fiduciary for its members, retirees and beneficiaries and as prudent administrator of the retirement system.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 7.5

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2012 Business Meeting

Staff Recommendation

Staff recommends the Board designate **Natalie Kwan Lloyd**, Vice Chair, as the Voting Delegate, **Lauryn Agnew**, Secretary, as the First Delegate Alternate, and **David Bailey**, CEO, as the Second Delegate Alternate to cast SamCERA's votes at the Fall 2012 SACRS Conference.

Summary

Prior to each SACRS conference the retirement boards are asked to select the individuals from each county system who are authorized to serve as voting delegates and alternate voting delegates at the conference business meeting.

Background

SamCERA normally selects the highest ranking board officer who will attend the conference as the voting delegate. Delegates can be either trustees or staff. For this SACRS conference, as Board Vice Chair Natalie Kwan Lloyd is the highest-ranking board officer. As Secretary Lauryn Agnew is next. We typically recommend the CEO be the final alternate.

The business meeting will occur on the last morning of the conference, 9:45 a.m., Friday, November 16. The agenda for the business meeting should be available for discussion at the board's October meeting.