



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**

San Mateo County Employees' Retirement Association  
(SamCERA)

**DATE:** March 28, 2005  
**BOARD MEETING DATE:** April 12, 2005  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority

**TO:** Honorable Board of Supervisors

**FROM:** David Bailey, Chief Executive Officer, SamCERA

**SUBJECT:** Adoption of Actuarial Interest Rate and Employer and Employee Retirement Contribution Rates for Fiscal Year 2005-2006

**RECOMMENDATION**

Adopt a Resolution Setting the Actuarial Interest Rate and the Employer and Member Contribution Rates for The San Mateo County Employee's Retirement Association for Fiscal Year 2005-2006 in Accordance with Government Code Section 31454.

**BACKGROUND**

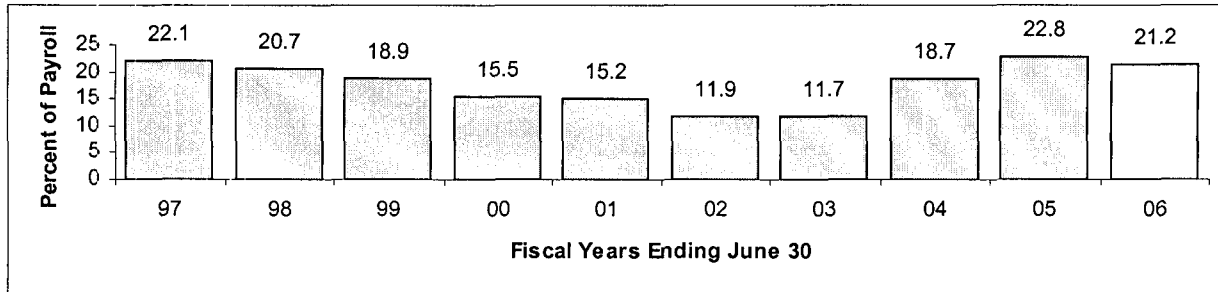
Based on the results of its June 30, 2004, Actuarial Valuation, Public Pension Professionals, Inc., actuarial consultants to the Board of Retirement, recommended contribution rates as set forth below for fiscal year 2005-2006. The Board of Retirement accepted the valuation report and its recommended contribution rates on January 25, 2005. The valuation is available on SamCERA's website at [www.samcera.org](http://www.samcera.org).

In accordance with state law, the Board of Retirement recommends that the Board of Supervisors adopt those rates of interest and contribution rates of members, and authorize the necessary appropriations.

**DISCUSSION**

If the recommended rates are adopted, the Average Employer Rate the county will pay for each employee will decline from 22.84% of pay in the 2004-2005 fiscal year to 21.22% during the 2005-2006 fiscal year.

## 10-year History of Average Employer Rates, San Mateo County



The average Basic Contribution Rate that employees must pay will decline from 8.38% of pay to 7.09%. This basic rate does not include additional "member cost sharing" percentages arrived at through collective bargaining. The actual rates members will pay will vary by age of entry to the system, plan enrollment (Plan 1, 2 or 4) and employment category (general, safety, probation or Mosquito Abatement District).

**Fiscal Health of the Fund:** During the fiscal year, *SamCERA's* net assets increased from \$1.233 billion to \$1.435 billion, or a gain of approximately 16%, due primarily to market appreciation.

However, the Funded Ratio of actuarial assets to actuarial liabilities has declined from 76% to 75.6% and the estimated unfunded actuarial liability increased from \$427.6 million to \$468.7 million.

These seemingly contradictory effects are due to use of a "smoothing" methodology. *SamCERA* spreads the recognition of annual investment gains and losses over five-year periods. This common technique reduces the volatility of contribution rates. The result in the current valuation is that losses from past years as well as the gain from fiscal year 2003-04 are only partially recognized. Future valuations will continue the process of taking all gains and losses into account over a rolling five-year period.

### FISCAL IMPACT

The overall reduction in employer contribution rates from 22.84% to 21.22% will result in countywide savings estimated at \$1.3 million, most of that in the General Fund (\$1.15 million). With the revised rates, the County's budgeted appropriation for retirement contributions will approximate \$72 million for FY 2005-06.

RECOMMENDED  
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COUNTY MANAGER