



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

San Mateo County Employees' Retirement Association
(*SamCERA*)

DATE: April 28, 2006
BOARD MEETING DATE: May 23, 2006
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 Member Retirement Contribution Rates for Fiscal Year 2006-2007

RECOMMENDATION

Adopt a resolution setting the actuarial interest rate and the employer and member retirement contribution rates for The San Mateo County Employee's Retirement Association for Fiscal Year 2006-2007 in accordance with Government Code Sections 31453 and 31454.

BACKGROUND

Based on a review of the actuarial experience of the retirement association by Milliman, Inc., actuarial consultants, the Board of Retirement recommends an actuarial interest rate (earnings assumption) and contribution rates as set forth below for fiscal year 2006-2007.

DISCUSSION

Actuarial Interest Rate: This is the average percentage the retirement board and actuary, in consultation with the retirement board's investment advisory firm, estimate the trust will earn in the future. The Retirement Board recommends an actuarial interest rate of 7.75% per year.

Employer Contribution Rate: The Average Employer Rate the county will pay for each employee will be 25.16% during the 2006-2007 fiscal year.

Because the actuarial process involves projecting the future costs and revenues of the retirement trust fund, it is important to note that the employer rates recommended by the Board of Retirement assume that member cost-sharing contributions, which are in

addition to the Member Entry Age Basic Contribution Rates and were arrived at through collective bargaining, will continue at their current levels

Member Contribution Rate: The average Member Contribution Rate that employees pay will be 9.71% of pay. This average rate includes member cost sharing percentages. The rates individual members will pay will vary from the average rate depending on each member's age of entry to the system, plan enrollment (Plan 1, 2 or 4) and employment category (general, safety, or probation.)

FISCAL IMPACT

The recommended contribution rates will result in increased countywide costs estimated at \$17.5 million, most of that in the General Fund (\$14 million). With the revised rates, the county's budgeted appropriation for retirement contributions will approximate \$98.4 million for FY 2006-07.

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

RESOLUTION ADOPTING RECOMMENDATIONS
MADE BY THE BOARD OF RETIREMENT
PURSUANT TO GOVERNMENT CODE SECTION 31453

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board of Retirement...*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 of Retirement has received, reviewed and approved the reports of its actuary, Milliman, Inc., and its Chief Executive Officer setting forth recommendations to assure the actuarial soundness of the Retirement Fund; and

WHEREAS, the County of San Mateo and its bargaining units have entered into agreements to enhance benefit formulas contingent on supplementing basic employee contribution rates with cost sharing percentages and those benefit formulas and cost sharing percentages are assumed to continue, and

WHEREAS the Board of Retirement has reviewed the contribution rates recommended by the actuary and has forwarded such rates pursuant to Government Code §31453 with a recommendation that they be adopted by the County; and

WHEREAS, Government Code §31454 mandates that *“the Board of Supervisors shall not later than 90 days after the beginning of the immediately succeeding fiscal year adjust the rates of interest, the rates of contributions of members, and county and district appropriations in accordance with the recommendations of the board, but shall not fix them in such amounts as to reduce the individual benefits provided in this chapter.”* and

WHEREAS the Board of Supervisors has reviewed the recommendation and finds it to be in the best interest of the members, retirees and beneficiaries of the Retirement System:

NOW, THEREFORE , IT IS HEREBY DETERMINED AND ORDERED, that

1. The Actuarial Interest Rate shall be 7.75% per annum effective July 1, 2006.
2. The County shall make contributions to the Retirement Fund in accordance with the following schedule of Contribution Rates, as a percentage of compensation earnable, effective July 1, 2006:

	<u>Plan 1</u>	<u>Plan 2</u>	<u>Plan 3</u>	<u>Plan 4</u>
EFFECTIVE JULY 1, 2006				
<u>County General Member Rates:</u>				
Employer Normal Cost	10.92	11.18	7.59	9.78
Contribution To Unfunded Accrued Actuarial Liability	<u>10.38</u>	<u>10.38</u>	<u>10.38</u>	<u>10.38</u>
Total General Member Rates	21.30	21.56	17.97	20.16
<u>County Safety Member Rates:</u>				
Employer Normal Cost	23.32	21.36	None	18.86
Contribution To Unfunded Accrued Actuarial Liability	<u>32.02</u>	<u>32.02</u>	None	<u>32.02</u>
Total Safety Member Rates	55.34	53.38		50.88
<u>County Probation Member Rates:</u>				
Employer Normal Cost	25.57	22.92	None	19.45
Contribution To Unfunded Accrued Actuarial Liability	<u>16.43</u>	<u>16.43</u>	None	<u>16.43</u>
Total Probation Member Rates	42.00	39.35		35.88

The Board hereby adopts the actuary's recommended Member Entry Age Basic Contribution Rates in accordance with the schedule set forth in the following table as a percentage of compensation earnable, effective July 1, 2006:

Member Entry Age Basic Contribution Rates

Entry Age*	General		Probation		Safety	
	Plans 1 & 2	Plan 4	Plans 1 & 2	Plan 4	Plans 1 & 2	Plan 4
16	5.07%	4.85%	5.85%	5.60%	6.88%	6.58%
17	5.16%	4.94%	5.95%	5.70%	7.00%	6.71%
18	5.26%	5.03%	6.06%	5.80%	7.13%	6.83%
19	5.35%	5.13%	6.17%	5.91%	7.26%	6.95%
20	5.45%	5.22%	6.29%	6.02%	7.40%	7.08%
21	5.55%	5.32%	6.40%	6.13%	7.53%	7.21%
22	5.66%	5.42%	6.52%	6.24%	7.67%	7.34%
23	5.76%	5.51%	6.64%	6.35%	7.81%	7.47%
24	5.87%	5.62%	6.76%	6.47%	7.95%	7.61%
25	5.97%	5.72%	6.88%	6.59%	8.09%	7.75%
26	6.08%	5.82%	7.00%	6.70%	8.24%	7.89%
27	6.19%	5.93%	7.13%	6.83%	8.39%	8.03%
28	6.30%	6.04%	7.26%	6.95%	8.54%	8.18%
29	6.42%	6.15%	7.39%	7.08%	8.70%	8.33%
30	6.54%	6.26%	7.53%	7.21%	8.85%	8.48%
31	6.65%	6.37%	7.66%	7.34%	9.02%	8.63%
32	6.77%	6.49%	7.81%	7.47%	9.18%	8.79%
33	6.90%	6.60%	7.95%	7.61%	9.35%	8.95%
34	7.02%	6.72%	8.10%	7.75%	9.53%	9.12%
35	7.15%	6.85%	8.25%	7.90%	9.71%	9.29%
36	7.28%	6.97%	8.41%	8.04%	9.89%	9.46%
37	7.42%	7.10%	8.57%	8.19%	10.08%	9.63%
38	7.55%	7.23%	8.73%	8.33%	10.27%	9.80%
39	7.69%	7.37%	8.88%	8.47%	10.45%	9.97%
40	7.84%	7.50%	9.04%	8.61%	10.63%	10.13%
41	7.99%	7.64%	9.19%	8.74%	10.81%	10.28%
42	8.14%	7.78%	9.34%	8.86%	10.98%	10.42%
43	8.29%	7.92%	9.47%	8.96%	11.14%	10.55%
44	8.44%	8.05%	9.60%	9.06%	11.29%	10.66%
45	8.59%	8.18%	9.71%	9.13%	11.42%	10.74%
46	8.73%	8.30%	9.81%	9.17%	11.54%	10.79%
47	8.87%	8.41%	9.88%	9.17%	11.62%	10.79%
48	9.00%	8.52%	9.91%	9.49%	11.66%	11.17%
49	9.12%	8.61%	9.91%	9.85%	11.66%	11.58%
50	9.23%	8.67%	9.91%	9.85%	11.66%	11.58%
51	9.32%	8.71%	9.91%	9.85%	11.66%	11.58%
52	9.39%	8.71%	9.91%	9.85%	11.66%	11.58%
53	9.41%	9.02%	9.91%	9.85%	11.66%	11.58%
54	9.41%	9.35%	9.91%	9.85%	11.66%	11.58%
55	9.41%	9.35%	9.91%	9.85%	11.66%	11.58%
56	9.41%	9.35%	9.91%	9.85%	11.66%	11.58%
57	9.41%	9.35%	9.91%	9.85%	11.66%	11.58%
58	9.41%	9.35%	9.91%	9.85%	11.66%	11.58%
59	9.41%	9.35%	9.91%	9.85%	11.66%	11.58%
60	9.41%	9.35%	9.91%	9.85%	11.66%	11.58%

* For General Members entering after age 55, the rate equals the rate at age 55. Likewise for Safety and Probation members entering after age 50, the rate equals the rate at age 50. Only Probation rates reflect employer pick-up.