



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

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

DATE: February 1, 2008
BOARD MEETING DATE: February 26, 2008
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

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

A handwritten signature in black ink, appearing to read "D. Bailey".

SUBJECT: Adoption of Employer and Employee Retirement Contribution Rates
for FY 2008-09

RECOMMENDATION

Adopt a resolution setting the employer and employee retirement contribution rates for FY 2008-09 for the San Mateo County Employee's Retirement Association in accordance with Government Code Sections 31453 and 31454.

BACKGROUND

Based on the June 30, 2007, Actuarial Valuation of the retirement association by Milliman, Inc., actuarial consultants, the Board of Retirement recommends contribution rates as set forth below for FY 2008-09.

DISCUSSION

Employer Contribution Rate: The Average Employer Rate the County will contribute for each employee in FY 2008-09 will be 23.76%. This is a 0.95% decrease from the 24.71% average rate in the current fiscal year. The most important reason for the decrease was a positive investment return for the *SamCERA* fund of approximately 16.58% during FY 2006-07.

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 (3% for most members), 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 Rates: Member contribution rates will remain unchanged. There were no assumption changes in the valuation that would affect member rates, such as demographic or economic assumption changes resulting from an experience study. (Experience studies are conducted every three years. The last was conducted in 2005. The next will be conducted as of June 30, 2008.)

The average member contribution rate will be 9.70 percent. 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.)

Funded Ratio: The funded ratio of the system--the actuarial ratio of assets to liabilities--has improved, again mainly due to positive investment returns.

	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>
Actuarial Funded Ratio	77.4%	75.4%	74.2%

FISCAL IMPACT

The employer contribution percentage rate will decrease, but because the County payroll will be larger in FY 2008-09 than in the current fiscal year, the total County contribution amount will increase. The increased countywide costs are estimated at \$1.8 million, most of that in the General Fund (\$1.25 million).

With the revised rates, the County's budgeted appropriation for retirement contributions will approximate \$108.7 million for FY 2008-09. This figure includes the County's *employer* contribution of \$102 million plus the amount of *employee* contributions the County covers pursuant to negotiated MOUs with employee bargaining units, approximately \$6.7 million.