

SamCERA



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Honorable Board of Supervisors
Hall of Justice
400 County Center
Redwood City, CA 94063

Subject: Adoption of Contribution Rates for 2010-2011 Fiscal year

This letter is to request that the Board of Supervisors formally adopt member and employer contribution rates as recommended by the Board of Retirement for the Fiscal Year 2010-2011.

Based on the June 30, 2009, Actuarial Valuation of the retirement association by Milliman, Inc., actuarial consultants, the Board of Retirement recommends contribution rates as set forth below for FY 2010-11.

BACKGROUND

The Board of Retirement approved the 2009 Actuarial Valuation and the FY 2010-11 recommended employer and member contribution rates on November 19, 2009. The rates have been included by county staff in all budget planning for the 2010-11 fiscal year. This agenda item is to facilitate formal adoption of the rates by the Board of Supervisors as required by Government Code 31453 and 31454.

Employer Contribution Rate: The Average Employer Rate the County will contribute for each employee in FY 2010-11 will be 34% of payroll. This is an increase of approximately 10% of payroll as compared to the FY 2009-2010 average rate.

The increase is due to the significant negative investment returns experienced during both the 2007-08 and 2008-09 fiscal years. Although the earnings of the fund during the prior three fiscal years were respectively 12%, 14% and 17%, each of these returns was on a lower asset base and, therefore, not sufficient to offset the 2007-08 loss of 7.64% and the 2008-09 loss of 22.4%.

Recent Employer Contribution Rate History

	<u>10-11</u>	<u>09-10</u>	<u>08-09</u>	<u>07-08</u>	<u>06-07</u>
San Mateo County	34.00%	23.62%	23.76%	24.71%	25.16%

Note: Each rate shown above is an average percentage of expected total payroll.

Member Contribution Rates: For the 2010-11 fiscal year, the average member contribution rate will be unchanged at 9.73 percent of payroll. This rate includes member cost sharing percentages. The rates individual members pay 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—is shown below for the valuations completed during the last five years.

Valuation Date June 30,	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarial Funded Ratio	63.9%	79.1%	77.4%	75.4%	74.2%

Attached are the detailed employer and member contribution rates for the 2010-11 fiscal year as recommended by the Board of Retirement.

Sincerely,



David Bailey
Chief Executive Officer, SamCERA