

SamCERA



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May 4, 2011

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

Subject: Adoption of Contribution Rates for 2011-2012 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 2011-2012.

Based on the June 30, 2010, Actuarial Valuation of the retirement association by Milliman, Inc., actuarial consultants, as well as subsequent calculations by Milliman regarding formulas for those employees hired on or after July 10, 2011, the Board of Retirement recommends contribution rates as set forth in the attached resolution for FY 2011-12.

BACKGROUND

The Board of Retirement gave final acceptance to the 2010 Actuarial Valuation and the FY 2011-12 recommended employer and member contribution rates for employees under current formulas on December 14, 2010. Rates for employees hired on or after July 10, 2011, were accepted by the Board of Retirement on May 24, 2011. The rates have been included by county staff in all budget planning for the 2011-12 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.

Negotiations with some bargaining units are still underway regarding the retirement benefits of members who join the retirement system on or after July 10, 2011. Because the payment of 50% of the actuarial charge for Cost of Living Adjustments (COLAS) by these future members is contingent on the agreement of all bargaining units, and because member and employer rates will vary depending on whether future members pay 50% of the COLA costs or not, contingent sets of member and employer rates are presented for your approval.

Employer Contribution Rate: The average FY 2011-12 employer rate the County will contribute for each employee hired before July 10, 2011, will be 34% of payroll. This average rate is unchanged from FY 2010-11.

Member Contribution Rates: For the 2011-12 fiscal year, the average member contribution rate, for members who joined the plan before July 10, 2011, will be 9.71 percent of payroll. Like the employer rates, the rates for current members will remain unchanged for the 2011-12 fiscal year. Current-member rates include member cost sharing percentages. The total rates individual members pay will vary from the average rate depending on each member's age of entry to the system, plan enrollment (Plan 1, 2, 4, 5, or 6) 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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarial Funded Ratio	70.3	63.9%	79.1%	77.4%	75.4%

The detailed employer and member contribution rates for the 2011-12 fiscal year as recommended by the Board of Retirement, are set forth in the attached resolution.

Sincerely,



David Bailey
Chief Executive Officer