SamCERA
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Notice of Public Meeting

The Board of Retirement

of the San Mateo County Employees' Retirement Association will meet on

Tuesday, September 30, 2014, at 10:00 A.M.

PUBLIC SESSION – The Board will meet in Public Session at 10:00 a.m.

1. **Call to Order, Roll Call and Miscellaneous Business**
   - 1.1 Appointment by Chair of Board Committees
   - 1.2 Appointment by Chair of Ad Hoc Committee to Review the Medical Advisor
2. **Oral Communications**
   - 2.1 Oral Communications from the Board
   - 2.2 Oral Communications from the Public
3. **Approval of the Minutes**
   - 3.1 Approval of Regular Board Meeting Minutes from August 26, 2014
4. **Approval of the Consent Agenda***
   - 4.1 Disability Retirements
   - 4.2 Service Retirements
   - 4.3 Continuances
   - 4.4 Deferred Retirements
   - 4.5 Member Account Refunds
   - 4.6 Member Account Rollovers
   - 4.7 Approval of Resolution Closing SamCERA's IRC 401(h) Account
   - 4.8 Approval of Trustee Training Request
5. **Benefit & Actuarial Services**
   - 5.1 Consideration of Agenda Items, if any, Removed from the Consent Agenda
   - 5.2 Presentation of the June 30, 2014, Actuarial Valuation Report by Milliman, Inc.
   - 5.3 Presentation of June 30, 2014, Actuarial Valuation Audit by Segal Company
   - 5.4 Approval of Resolution Accepting the Fiscal Year 2015-2016 Employer and Member Contribution Rates and Recommendations
   - 5.5 Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.
6. **Investment Services**
   - 6.1 Preliminary Monthly Portfolio Performance Report for the Period Ending August 31, 2014
   - 6.2 Approval of Resolution Amending the Investment Policy Securities Lending Provisions
   - 6.3 Report on the Fixed Income Manager Annual Reviews
7. **Board & Management Support**
   - 7.1 Approval of Resolution Authorizing the CEO to Amend the Contract with Vitech, Inc. to Add the Vitech V3 Imaging Solution to the PASS Project
   - 7.2 Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2014 Business Meeting

8. **Management Reports**
   - 8.1 Chief Executive Officer's Report
   - 8.2 Assistant Executive Officer's Report
   - 8.3 Chief Investment Officer's Report
   - 8.4 Chief Legal Counsel's Report

CLOSED SESSION – The Board may meet in closed session prior to adjournment

C1 Consideration of Disability Items, if any, Removed from the Consent Agenda

C2 Public Employee Appointment in Accordance with Government Code Section 54957.
Title: Chief Executive Officer

C3 Conference with Labor Negotiators in Accordance with Government Code Section 54957.6
Designated Representatives: Brenda B. Carlson and Lisa Yapching
Employee Position: Chief Executive Officer

9. **Report on Actions Taken in Closed Session**
10. **Adjournment in Memory of the Following Deceased Members:**

Springs, Harriette	August 18, 2014	Beneficiary of Springs, Dolph
Bass, James	August 22, 2014	Mosquito
Harding, Dorothy	August 29, 2014	Health & Welfare
Heintz, Carl	September 4, 2014	Beneficiary of Heintz, Marguerite
Yamaguchi, Gene	September 5, 2014	Libraries
Green, Amabel	September 8, 2014	Environmental Health
Petersen, Delores	September 9, 2014	Probation

fr AEO
David Bailey, Chief Executive Officer

Posted: September 24, 2014

(* ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT AGENDA. ANY 4.1 ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER CLOSED SESSION; ALL OTHER ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER ITEM 5.1.)

THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160, WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD CITY. Detailed directions are available on the "Contact Us" page of the website www.samcera.org. *Free Parking is available in all lots in the vicinity of the building. A copy of the Board of Retirement's open session agenda packet is available for review at the SamCERA offices and on our website unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.*

IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT: *SamCERA*'s facilities and board and committee meetings are accessible to individuals with disabilities. Contact *SamCERA* at (650) 599-1234 at least three business days prior to the meeting if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable *SamCERA* to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

September 30, 2014 Agenda Item 1.1

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Appointment By Chair of Board Committees

Summary

As the Chair deems appropriate, in this agenda item the Chair may announce appointments to the Investment Committee, the Audit Committee, and/or other committees.

Background

The Board Chair is authorized by the Regulations of the Board of Retirement to appoint all committees.

> **"1.1 Election Of Chair:** At the first regular meeting in July, the Board of Retirement shall elect one of its members chair for a term of one year or until his or her successor is duly elected and qualified. The Chair shall preside at all meetings of the Board, **shall appoint all committees** *(emphasis added)* and shall perform all duties incidental to that office."

Committee assignments for FY13-14 were as follows:

- Investment Committee- Ben Bowler, Lauryn Agnew, Michal Settles and Albert David, Chair
- Audit Committee- Paul Hackleman, Natalie Kwan Lloyd, Sandie Arnott and Eric Tashman, Chair
- Ad Hoc Succession Planning Committee- Al David, Michal Settles, Ben Bowler, Paul Hackleman, Chair

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 30, 2014 Agenda Item 1.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Appointment By Chair of Ad Hoc Committee to Review the Medical Advisor

Staff Recommendation
Staff recommends the Chair announce the appointment of a chair and committee members to conduct a review of the performance of the Medical Advisor.

Background
Dr. Henry Brodkin is the Medical Advisor to the Board of Retirement. He reviews the medical records of disability applicants and makes recommendations to the Board regarding applicants' medical status and the causes of their illnesses. His work is described in a Board document, "The Expectations of the Medical Advisor." Staff recommends the appointed committee discuss this document with Dr. Brodkin and report back to the full Board on the outcome.

Last year's committee membership was as follows:

<u>2013 Ad Hoc Committee to Review the Medical Advisor</u>

Sandie Arnott, Chair	Lauryn Agnew
Natalie Kwan Lloyd	Christopher Miller

The Board Chair is authorized by the Regulations of the Board of Retirement to appoint all committees.

> **"1.1 Election Of Chair:** At the first regular meeting in July, the Board of Retirement shall elect one of its members chair for a term of one year or until his or her successor is duly elected and qualified. The Chair shall preside at all meetings of the Board, **shall appoint all committees** *(emphasis added)* and shall perform all duties incidental to that office."

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

September 30, 2014 **Agenda Item 3.1**

August 26, 2014 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 10:00 a.m.

1. **Call to Order, Roll Call and Miscellaneous Business**
   - 1.1 Appointment of Board Committees
2. **Oral Communications**
   - 2.1 Oral Communications From the Board
   - 2.2 Oral Communications From the Public
3. **Approval of the Minutes**
   - 3.1 Approval of Special Board Meeting Minutes, from July 29, 2014
4. **Approval of the Consent Agenda** ***(Set for 10:00 a.m. time certain)***
   - 4.1 Disability Retirements
     - Donald McKague
     - Shannon Speak
     - Robert Fitch
   - 4.2 Service Retirements
   - 4.3 Continuances
   - 4.4 Deferred Retirements
   - 4.5 Member Account Refunds
   - 4.6 Member Account Rollovers
   - 4.7 Approve a Resolution Reaffirming SamCERA's Conflict of Interest Code
   - 4.8 Approve a Resolution Revising the Board's Regulations
   - 4.9 Trustee Request for Conference Approval
5. **Benefit & Actuarial Services** ***(Set for 1:00 p.m. time certain)***
   - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
   - 5.2 Presentation of the Actuarial Auditor's Findings Regarding the Investigation of Experience Study Report for FYs 2012-2014
6. **Investment Services**
   - 6.1 Preliminary Monthly Performance Report for the Period Ending July 31, 2014
   - 6.2 Quarterly Investment Performance Report for the Period Ending June 30, 2014
7. **Board & Management Support**
   - 7.1 Preliminary Quarterly Financial Report for the Period Ending June 30, 2014
   - 7.2 Update on Progress of SamCERA's Information Technology Projects
8. **Management Reports**
   - 8.1 Chief Executive Officer's Report
   - 8.2 Assistant Executive Officer's Report
   - 8.3 Chief Investment Officer's Report
   - 8.4 Chief Legal Counsel's Report

CLOSED SESSION – The Board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda
- C2 Public Employee Appointment in Accordance With Government Code Section 54957.
  Title: Chief Executive Officer
- C3 Conference with Legal Counsel-Existing Litigation (Gov Code 54956.9)
  Omnicare, Inc. v. Laborers District Council Construction Industry Pension Fund, U.S Supreme Court

9. **Report on Actions Taken in Closed Session**

10. **Adjournment in Memory of the Following Deceased Members:**

Aguiar, Josephine	July 23, 2014	Human Services Agency
Gibson, Marquez	June 16, 2014	Parks
Greer, Donald	July 17, 2014	Probation

Heurlin, Margaret	June 17, 2014	Probation
Kidd, Joan	July 25, 2014	Crystal Springs Rehab. Center
McCune, John	July 4, 2014	Beneficiary of McCune, Helen
Norman, Barbara	July 4, 2014	Probation
Savoca, Josephine	July 23, 2014	Libraries
Schmiedel, Frank	July 5, 2014	Beneficiary of Schmiedel, Selma
Soppa, Lawrence	July 23, 2014	General Services
Torburn, Zora-Mae	July 28, 2014	General Services

1408.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Michal Settles, Secretary, called the Regular Meeting of the Board of Retirement to order at 10:06 a.m.

Roll Call:
Present: Sandie Arnott, Albert David, Alma Salas (for Paul Hackleman), Christopher Miller (for Natalie Kwan Lloyd), Michal Settles and David Spinello.
Alternates present: Alma Salas and Christopher Miller.
Excused: Lauryn Agnew, Ben Bowler, Paul Hackleman, Natalie Kwan Lloyd and Eric Tashman
Staff: David Bailey, Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Mabel Wong, Tariq Ali, Lilibeth Dames, Elizabeth LeNguyen and Kristina Perez.
Consultants: Patrick Thomas and Jonathan Brody (*SIS*); Will Morrow (*LRWL*); and Paul Angelo and Andy Yeung *(Segal*).

1408.1.1 **Appointment of Board Committees:** Lauryn Agnew, Chair, was not in attendance due to illness, and committee appointments will be made by her at a subsequent meeting.

1408.2.1 **Oral Communications From the Board:** None.

1408.2.2 **Oral Communications From the Public:** None.

1408.3.1 **Approval of Minutes:** The minutes were amended to include the report from Mr. Miller of his attendance at CAPPP II. Ms. Settles asked if there were any additional changes to the amended minutes, and there were none.
Action: Ms. Salas made a motion to approve the regular meeting minutes from July 29, 2014, with the noted change, and the motion was seconded by Mr. David. The motion carried with a vote of 6-0, with trustees Arnott, David, Miller, Salas, Settles, and Spinello all in favor; none opposed.

1408.4.0 **Approval of the Consent Agenda:** Ms. Settles asked if there were any items to be removed from the Consent Agenda, and none were removed.
Action: Mr. Spinello moved to approve all items on the Consent Agenda, and the motion was seconded by Mr. David. The motion carried with a vote of 6-0, with trustees Arnott, David, Miller, Salas, Settles, and Spinello all in favor; none opposed.

1408.4.1 **Disability Retirements**

The Board found that Robert Fitch is (1) permanently incapacitated from the performance of his usual and customary duties as a Lead Gardener, (2) found that his disability was a result of an injury arising out of and in the course of his employment and (3) granted his application for a service-connected disability retirement.

The Board found that Donald McKague is (1) permanently incapacitated from the performance of his usual and customary duties as a Deputy Sheriff, (2) found that his disability was a result of an injury arising out of and in the course of his employment and (3) granted his application for a service-connected disability retirement.

The Board found that Shannon Speak is (1) permanently incapacitated from the performance of her usual and customary duties as a Human Services Manager II, (2) found that her disability was not a result of an injury arising out of and in the course of her employment and (3) granted her application for a non-service-connected disability retirement.

1408.4.2 **Service Retirements**

The Board ratified the actions as listed below for the following members regarding service retirements:

Member Name	Effective Retirement Date	Department
Buckleman, Denice	July 31, 2014	QDRO
Dorrance, Adrina	July 12, 2014	Hospital
Fitzer, Gary	July 16, 2014	Deferred from Planning
Guerrero, Lorraine	June 21, 2014	Courts
Guevara, Zenaida	July 21, 2014	Hospital
Heckman, Kathleen	July 4, 2014	Deferred from Public Health
Kavanaugh, Rita	July 19, 2014	Hospital
Kiely, Carolyn	July 21, 2014	Aging and Adult Services
Kohn, Susan	August 1, 2014	Hospital
Marundee, David	July 8, 2014	Deferred from Public Works
Reubens, Jennifer	June 25, 2013	Correctional Health
Shufton, Steven	July 26, 2014	Deferred from Inform. Services
Skjerdal, Kristi	July 15, 2014	Family Health
Thorsett, Ruth	August 1, 2014	Libraries
Tiong, Teresita	July 22, 2014	Health Services Administration
Wallace, MaryEmma	August 1, 2014	Mental Health

1408.4.3 **Continuances**

The Board ratified the actions as listed below for the following members regarding continuances:

Survivor's Name	Beneficiary of
Greer, Jannette	Greer, Donald

1408.4.4 **Deferred Retirements**

The Board ratified the actions as listed below for the following members regarding deferred retirements:

Member Name	Retirement Plan Type
Anson, Alison W.	G4 Vested
Anjomshoaa, Andrea N.	G7 – Reciprocity
Aquino, Maria T.	G7 – Reciprocity
Granados-Pulido, Juan	G4 Vested – Reciprocity
Gregg, Sarah C.	G4 – Auto Defer
Ly, Daiphong D.	G4 Vested – Reciprocity
Portis, Allena J.	G4 Vested – Reciprocity
Rubalcava, Mayela	G4 Vested
Semprich, Kelly R.	G4 Vested
Webb, Sandra M.	G5 Reciprocity

1408.4.5 **Member Account Refunds**

The Board ratified the actions as listed below for the following members regarding refunds:

Member Name	Retirement Plan Type
Gibson, Irene (bene of Marquez Gibson)	G4 Vested
Gibson, Maxwell (bene of Marquez Gibson)	G4 Vested
Rotchstein, Wendy	G4 Vested

1408.4.6 **Member Account Rollovers**

The Board ratified the actions as listed below for the following members regarding rollovers:

Member Name	Retirement Plan Type
Cardona, Aura	G4 Vested

1408.4.7 **Approve a Resolution Reaffirming SamCERA's Conflict of Interest Code:** The Board approved the resolution reaffirming SamCERA's Conflict of Interest Code.

1408.4.8 **Approval of Resolution Revising the Board's Regulations:** The Board approved the resolution amending its regulations in order that the regulations are consistent with the Internal Revenue Code ("IRC") and Treasury regulations.

1408.4.9 **Trustee Request for Conference Approval:** The Board approved the attendance of Lauryn Agnew at the "Advanced Wealth Management Conference" sponsored by the Investment Management Consultants Association (IMCA).

1408.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None.

1408.5.2 **Presentation of the Actuarial Auditor's Findings Regarding the Investigation of Experience Study Report for FYs 2012-2014:** Paul Angelo and Andy Yeung from Segal were present to discuss their findings from the audit of Milliman's Investigation of Experience Report. There was a recommendation to look at the salary experiences of regular and safety members separately. This item was informational only and no action was taken.

1408.6.1 **Preliminary Monthly Performance Report for the Period Ending July 31, 2014:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for July was -1.3% with most asset classes down during the month. This item was informational only and no action was taken.

1408.6.2 **Quarterly Investment Performance Report for the Period Ending June 30, 2014:** Mr. Coultrip and Mr. Thomas presented the Quarterly Investment Performance Report. Mr. Thomas and Mr. Brody went over the quarterly report, page by page, reviewing managers' performances and commenting on specific items. It was noted that SamCERA's performance for the fiscal year ending June 30, 2014is in the top third among its peers. This item was informational only and no action was taken.

1408.7.1 **Preliminary Quarterly Financial Report for the Period Ending June 30, 2014:** Ms. Wong reviewed the quarterly financial report with the Board and noted an increase of $136.6 million, which was due to the County's supplemental contribution of $50 million and market appreciation of assets during the quarter. This item was informational only and no action was taken.

1408.7.2 **Update on Progress of SamCERA's Information Technology Projects:** Tariq Ali, Chief Technology Officer, discussed the progress of several projects including the RFP for a new website, web member services upgrades, and the transition from Great Plains software to MS Dynamics. Will Morrow, Project Manager, provided an update on the Pension Administration Software System (PASS) project and reviewed the progress thus far. This item was informational only and no action was taken.

Ms. Settles adjourned the Board meeting into closed session at 11:45 a.m. to consider the following items. The meeting was reconvened to open session at 12:20 p.m.

C2 **Public Employee Appointment in Accordance With Government Code Section 54957. Title: Chief Executive Officer:** Mr. Bailey reported that no reportable action had been taken in closed session on this matter.

C3 **Conference with Legal Counsel-Existing Litigation (Gov Code 54956.9)** ***Omnicare, Inc. v. Laborers District Council Construction Industry Pension Fund,*** **U.S Supreme Court:** Ms. Carlson reported that the Board had taken action in closed session, and had voted in favor of joining the amicus brief to be filed on behalf of institutional investors in support of the respondent's position in the matter of *Omnicare, Inc. v. Laborers District Council Construction Industry Pension Fund*.

1408.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that he had assisted the SCORPA President to clarify the information included in SCORPA's newsletter which explained the changes to the Interest Crediting Policy and the elimination of the Medicare Part B reimbursement. He also informed the Board that Milliman's contract was expiring at the end of the year and that the matter would be brought before the Board in October.

1408.8.2 **Assistant Executive Officer's Report:** Mr. Hood called attention to the calendar of events that was included in the Board members' folders. He updated the Board on the commercial real estate market and indicated that it would not be prudent to purchase a building at this time. Mr. Hood also reported that Scott Johnson, County Risk Manager, had met with staff recently to discuss Dr. Brodkin's recommendations; the auditors from Brown Armstrong were currently at SamCERA performing audit services; the GASB implementation was going well; the CAFR was on track to be presented in October, and stated that interest was credited to member accounts at the maximum amount for the second half of the fiscal year. He further reported on SamCERA's staff picnic.

1408.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that SamCERA's allocation to ABRY Fund VIII was reduced to $15M from the initial $25M commitment due to the fund being oversubscribed. He also let the Board know that a short list was being compiled of managers to fill the opportunistic credit bucket and staff would be coming back to the Board with more information.

1408.8.4 **Chief Legal Counsel's Report:** Ms. Carlson had no report.

1408.10 **Adjournment:** Ms. Settles adjourned the meeting at 12:36 p.m. in memory of the following deceased members:

Aguiar, Josephine	July 23, 2014	Human Services Agency
Gibson, Marquez	June 16, 2014	Parks
Greer, Donald	July 17, 2014	Probation
Heurlin, Margaret	June 17, 2014	Probation
Kidd, Joan	July 25, 2014	Crystal Springs Rehab. Center
McCune, John	July 4, 2014	Beneficiary of McCune, Helen
Norman, Barbara	July 4, 2014	Probation
Savoca, Josephine	July 23, 2014	Libraries
Schmiedel, Frank	July 5, 2014	Beneficiary of Schmiedel, Selma
Soppa, Lawrence	July 23, 2014	General Services
Torburn, Zora-Mae	July 28, 2014	General Services

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David Bailey — Kristina Perez

Chief Executive Officer — Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

September 30, 2014 Agenda Items 4.1- 4.6

To: Board of Retirement

From: Gladys Smith, Retirement Benefits Manager Gladys Smith

Subject: Approval of Consent Agenda Items 4.1 – 4.6

4.1 Disability Retirements

None

4.2 Service Retirements

The Board ratifies the actions as listed below for the following members regarding service retirements:

Member Name	Effective Retirement Date	Department
Barrett, Dori	August 28, 2014	QDRO
Bloomstine, John P	August 2, 2014	Health Services Agency
Davenport, Charles	August 25, 2014	Human Resources Shared Services
Dorrance, Adriana Oseguera	July 12, 2014	Hospital
Galvis, Sheila	August 1, 2014	Behavioral Health
Gay, Robert B	August 30, 2014	Mosquito
Jacquemet, Jean F	August 16, 2014	Hospital
Kelly, Patricia E.	August 30, 2014	District Attorney's Office
Leong, Elizabeth H	August 6, 2014	Deferred from Public Health
Marquez, Diane	August 28, 2014	Behavioral Health
Netz, Warren W	August 30, 2014	Libraries
Pelter, Neil E.	August 9, 2014	Courts
Salazar, Ana M	August 23, 2014	Medical Center
Shirley, Harold L	August 8, 2014	Deferred from Assessor's Office

4.3 Continuances

The Board ratifies the actions as listed below for the following members regarding continuances:

Survivor's Name	Beneficiary of:
Soppa, Ruth	Soppa, Lawrence

4.4 Deferred Retirements

The Board ratifies the actions as listed below for the following members regarding deferred retirements:

Member Name	Retirement Plan Type
Eustaquio, Darwin	G4 Vested - Deferred
Gill, Gurpreet S.	P4 Vested – Deferred
Pachmayer, Karen	G4 Vested - Deferred
Sagar, Sunita	G2 Vested - Deferred
Sugiyama, Glen	P4 Vested - Deferred
Sonn, Michael K.	G4 Vested – Auto Defer
Weese, Danell S.	G4 Vested – Auto Defer

4.5 Member Account Refunds

The Board ratifies the actions as listed below for the following members regarding refunds:

Member Name	Retirement Plan Type
Adan, Sandra	G4, Vested
Bankhead, Allyson	G7, Non-vested
Berlanga, Leah	G2, Vested
Caldera, Doris	G7, Non-vested
Martinez, Lisette	G7, Non-vested
McFarland, Holly	G7, Non-vested
McKendrick, Donovan	G5, Non-vested
Otiniano, Marjorie	G7, Non-vested
Theodule, Myleah	G7, Non-vested
Valdez, Cynthia	G4, Vested
Watson, Geraldine	G7, Non-vested
Perez, Arturo	G7, Non-vested

Salada, Claudia	G4, G5, Non-vested

4.6 Member Account Rollovers

The Board ratifies the actions as listed below for the following members regarding rollovers:

Member Name	Retirement Plan Type
Battista, Anthony	G4, Non-vested
Bos, Karen	G4, Non-vested
Burns, April	G4, Non-vested
Cherrix, Erica	G4, Non-vested
DeCristofano, Matthew	G5, Non-vested
Kelly, Mark	G5, Non-vested
Nguyen, Thu	G4, Non-vested
Sanders, Mark	G7, Non-vested
Vaishya, Akhila	G5, Non-vested
Van Olst, Deborah	G7, Non-vested
Yao, Lily	G4, Non-vested
Skangos, Stephanie	G4, Non-vested
Guiney, Pamela	G4, Non-vested

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 30, 2014 Agenda Item 4.7

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Authorization to Close the Medicare Part B and Internal Revenue Code 401(h) accounts.

Staff Recommendation
Adopt a resolution closing the Medicare Part B and Internal Revenue Code 401(h) accounts of the San Mateo County Employees' Retirement Association.

Background:
At the Board's July 29, 2014, meeting, the Board revised its Interest Crediting Policy. This revision deleted the Supplemental Benefits Reserve and the potential crediting of "excess earnings" to that reserve. Consequently, under the new Interest Credit Policy, there will be no funding for the Medicare Part B and Internal Revenue Code 401(h) accounts.

Discussion:
The Medicare Part B Reserve and the Internal Revenue Code 401(h) Reserve accounts were established in 1998 but have not contained funds for over a decade. Due to the revised Interest Crediting Policy, such accounts will not be funded in the future. Staff recommends that the two accounts be closed in order to accurately represent the accounts of the fund and to not raise any unnecessary Internal Revenue Code compliance issues relating to the maintenance of 401(h) accounts. Tax counsel is in agreement with staff's recommendation.

The resolution does provide that at such time in the future, if the Board amends its Interest Crediting Policy to establish funding for such reserves, staff shall prepare a resolution re-establishing such accounts for SamCERA and the necessary amendments to the regulations of the Board of Retirement for this Board and the Board of Supervisors' adoption to be consistent with the state law, the Internal Revenue Code and applicable federal regulations.

Board of Retirement

RESOLUTION CLOSING THE MEDICARE PART B AND INTERNAL REVENUE CODE 401(h) ACCOUNTS OF THE SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 14-15____

WHEREAS, the Board has a policy to govern the crediting of interest to reserves of the Fund that is consistent with Article 5 of the County Employees' Retirement Law of 1937; and

WHEREAS, at the Board's July 29, 2014, meeting, the Board adopted resolution 14-15-___ revising the Board's Interest Crediting Policy, and such policy balances the interests of the active members and the retired members and best serves the interests of the membership as a whole; and

WHEREAS, the revised Interest Crediting Policy complies with appropriate legal and regulatory requirements; assures the prompt delivery of benefits and related services to the participants and their beneficiaries; limits, to the extent possible, the volatility of interest crediting from period to period; minimizes the volatility of employer contribution rates; limits, to the extent possible, the charging of short-term losses to reserves; maintains consistency between the reserve structure and the actuarial funding of SamCERA; and assures that the reserve values track the market value of assets over the long term; and

WHEREAS, by adopting the revised Interest Crediting Policy, the Board deleted the Supplemental Benefits Reserve and the potential crediting of "excess earnings" to that reserve; and

WHEREAS; this Board has determined that: (a) the Board's Medicare Part B Reserve and its section 401(h) Reserve Account established by Resolution 97-98-11 and reconfirmed by Resolution 06-07-07, have not contained funds for over a decade; and (b) due to the revised Interest Crediting Policy, such accounts will not be funded; and

WHEREAS; this Board has determined that the Board's Medicare Part B Reserve and the section 401(h) Reserve should be closed; therefore be it

RESOLVED that SamCERA's 401(h) Reserve and the Medicare Part B Reserve are hereby closed; therefore be it

FURTHER RESOLVED that at such time in the future, if the Board amends its Interest Crediting Policy to establish funding for such reserves, staff shall prepare a resolution re-establishing such accounts for SamCERA and the necessary amendments to the regulations of the Board of Retirement for this Board and the Board of Supervisors' adoption to be consistent with the state law, the Internal Revenue Code and applicable federal regulations.

September 30, 2014 Agenda Item 4.8

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Trustee Request for Conference Approval

Staff Recommendation

Staff recommends ratification of Trustee Lauryn Agnew's attendance at the educational event described below.

Background

The *SamCERA* Education Policy allows trustees to attend a certain number events for continuing education sponsored by organizations approved in the policy. The policy also states that, "the board may approve participation in additional educational activities…"

Board of Retirement Trustee, Lauryn Agnew, attended the P3 Summit "Transforming Cities through Public-Private Partnerships." The conference was held on September 23, 2014 in San Francisco, CA. The event took place before Ms. Agnew and SamCERA were able to request Board approval.

Information about the P3 Summit is attached.

SUMMIT ABOUT P3 SUMMIT WHY ATTEND WHO ATTENDS AGENDA

REGISTER NOW

Agenda

September 23, 2014

8:15AM **Networking Breakfast and Registration**

9:00AM **Keynote: Leadership Lessons for P3**

- Paula Collins, Board Member of Presidio Trust

P3 EDUCATIONAL PRIMERS

9:30AM **How to Structure a Successful P3**

- Roddy Devlin, Of Counsel, Squire Patton Boggs

10:00AM **How to Finance a P3: The private investor's perspective**

- Jennifer Mayer, Senior Vice President, Ernst and Young Infrastructure Advisors

10:30AM **How to Design a P3**

- Mark Herman, Principal, Cannon Design
- Steve Johnson, FAIA, President, Cannon Design International

11:00AM **How to Choose Your Deal and Select Your Partners in a P3**

- Geoffrey Stricker, Managing Director, Edgemoor

11:30AM **How to Manage Stakeholders in P3 (lessons from the international perspective)**

- Gavin Kain, Principal, Woods Bagot

12:00PM **Lunch**

P3 MASTER CLASSES: CASE STUDIES

1:00PM **Keynote -** Bob Lalanne, Vice Chancellor of Real Estate, UC Berkeley

1:20PM **P3 for Universities**

- Fire side chat with Bob Lalanne moderated by Jay C. Mancini, G & M Realty Ventures

2:00PM **P3 for Healthcare: Sandler Neuroscience, UCSF**

- Panel with McCarthy Cook/ Clark Construction/ SOM

2:45PM **Networking & Coffee Reception**

3:00PM **P3 for Transportation: Lessons Learned**

- Anne Rabin, Senior VP at Hochtief PPP Solutions North America

3:45PM **P3 for Cities - Getting to Bid: Navigating Challenges to Get to the Stage of Soliciting Bids**

- Orion Fulton, Senior Manager, Arup Transaction Advice

4:30PM **P3 Market Update: landscape, pipeline, and upcoming opportunities**

- Roddy Devlin, Of Counsel, Squire Patton Boggs

5:15-6:30 PM **Private Wine & Food Reception**

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Kristina Perez - Public-Private Partnerships - P3 Summit Invitation

From: Kristina Perez
Subject: Public-Private Partnerships - P3 Summit Invitation

Dear Colleague,

We are delighted to invite you to our second P3 Summit, which will take place in San Francisco at the offices of Squire, Patton & Boggs on September 23, 2014. **"Transforming Cities through Public-Private Partnerships"** is designed to bring together industry leaders and experts to explore the role of Public-Private Partnerships (P3s) in the delivery of both transportation and social infrastructure projects.

In addition to private industry, the summit will have public sector participation from California public agencies who are considering the use of P3 delivery methods in the future, including the University of California, the San Francisco Veterans Medical Center, and the Port of San Francisco.

For more information and registration details, please review our website at http://www.p3summit.com/

Guests of the Bay Area Council Economic Institute will receive an early bird rate discount of 30% (which expires September 16). Use code **BACguest**

We look forward to sharing and exchanging ideas with you on September 23rd!

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 30, 2014 Agenda Item 5.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Presentation of the June 30, 2014, Actuarial Valuation Report by Milliman, Inc.

Staff Recommendation

Under this agenda item, Milliman, Inc. will discuss the results of its Actuarial Valuation Report. This is an information-only item.

Background

Four actuarial agenda items are scheduled for the September 30th Board meeting. Under this first item, 5.2, Nick Collier will present the results and recommendations of Milliman's Actuarial Valuation Report. That will be followed by a presentation from the Segal Co. actuaries, Paul Angelo and Andy Yeung, under item 5.3, regarding their audit of the Milliman report. Under item 5.4, the Board will be asked to adopt the recommendations of Milliman's Actuarial Valuation Report, which will include changes recommended by Segal and included in the report. Agenda item 5.5, is Milliman's annual performance review.

Last year's actuarial valuation process resulted in an increase in the recommended average employer contribution rate from 35.49% to approximately 37.47% of pay.

This year's valuation calculated the employer Statutory Contribution Rate at 35.56%. However, the County of San Mateo has entered into a Memorandum of Understanding with SamCERA to pay additional contributions at a flat rate of 38%, as long as the Statutory Contribution Rate (SCR) is below 38%.

This year's valuation also resulted in an improvement in the funded ratio of the system from 73.3% to 78.8%.

San Mateo County Employees' Retirement Association

Actuarial Valuation
June 30, 2014

By

Nick J. Collier

Associate, Society of Actuaries
Enrolled Actuary
Member, American Academy of Actuaries

and

Craig J. Glyde

Associate, Society of Actuaries
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September 24, 2014

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood City, CA 94065-5208

Dear Members of the Board:

As requested, we have completed an actuarial valuation for the San Mateo County Employees' Retirement Association (SamCERA). The purpose of the valuation is to recommend the employer and member contribution rates for the fiscal year beginning July 1, 2015.

Actuarial Certification – Per SamCERA Consulting Contract

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27, and 35. In particular, it reflects the actuary's responsibility under Section 5.8 of ASOP No. 4 for assessing the implications of overall results, in terms of short- and long-range benefit security and expected cost progression.

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our best professional judgment, the assumptions and methodologies as adopted by the Board of Retirement, individually and in combination, are reasonably related to the experience of and the expectations for SamCERA, and will not, in and of themselves, expose the retirement system to "unsound financial risk." In this regard, we consider "unsound financial risk" to mean the following:

- A substantial likelihood that future required contribution rates as a percentage of payroll will be dramatically higher than the rates shown in this report, given the uncertainties of actuarial projections and assuming the full payment of all recommended contributions; or
- A substantial likelihood that SamCERA's assets will be insufficient to pay benefit payments when due, given the uncertainties of actuarial projections and assuming the full payment of all recommended contributions.

In preparing this report, we have complied with all quality assurance procedures detailed on page 14 of our November 28, 2005 proposal titled "Response for Request for Actuarial Services."

Actuarial Certification – Milliman

The major findings of the valuation are contained in this report. This report reflects the benefit provisions and contribution rates in effect as of June 30, 2014. In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by SamCERA's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

with information used for other purposes. The valuation results depend on the integrity of this information. If any data of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for SamCERA have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of SamCERA and reasonable expectations) and which, in combination, offer a reasonable estimate of anticipated experience affecting SamCERA. We will next be reviewing the assumptions in 2017 as part of our triennial investigation.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Retirement has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix A.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for SamCERA. The calculations in this report have been made on a basis consistent with our understanding of SamCERA’s current funding requirements. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman’s work is prepared solely for the internal business use of SamCERA. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman’s work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman’s consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

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(b) The System may provide a copy of Milliman’s work, in its entirety, to other governmental entities, as required by law.

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The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsors. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

We would like to express our appreciation to Mr. David Bailey, Chief Executive Officer of SamCERA, and to members of his staff, who gave substantial assistance in supplying the data on which this report is based.

We respectfully submit the following report, and we look forward to discussing it with you.

Sincerely,

Nick Collier, ASA, EA, MAAA
Consulting Actuary

Craig Glyde, ASA, EA, MAAA
Consulting Actuary

NJC/CJG/nlo

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San Mateo County Employees' Retirement Association

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Section 1: Summary of the Findings

2014 Valuation Results

	June 30, 2014	June 30, 2013
Employer Statutory Contribution Rate*	35.56%	37.47%
Funded Ratio	78.8%	73.3%

** Weighted average contribution rate for only the County is 35.78% of pay.*

Overview

This report presents the results of the June 30, 2014 actuarial valuation. Several key points are summarized as follows:

- **Funding:** The Funded Ratio increased from 73.3% to 78.8%. This increase was primarily due to contributions in excess of the value of benefits earned and investment earnings significantly in excess of the assumed rate. Note that the assets used in the calculation of the Funded Ratio include the value of the County Supplementary Contribution Account (CSCA).

- **Contribution Rates:** The Employer Normal Cost rate of 11.62% increased from 11.19% reported in the prior year. This rate was influenced by the changes in actuarial assumptions adopted as a result of the 2014 Investigation of Experience study. Rates will vary slightly from year to year as the average entry age of the membership changes and as a greater proportion of members enter the less expensive plans.

  The employer's Statutory Contribution Rate to finance the Unfunded Actuarial Accrued Liability (UAAL) over 15 years decreased from 26.28% to 23.94%. This decrease is largely driven by the recognition of asset gains from the current and prior years under the smoothing method. Additionally, a decrease of 1.06% occurred due to the amortization of the $50 million lump-sum contribution made by the County that is allocated to the CSCA. The assumption changes adopted as a result of the 2014 Investigation of Experience resulted in a partially offsetting increase in the UAAL rate. The overall result is a decrease in the Statutory Contribution Rate from the prior valuation of 1.91% (from 37.47% to 35.56% of payroll).

- **Investment Returns:** SamCERA's investment return on the market value of assets for the prior year of 17.3% (as provided by SamCERA) was greater than the actuarial assumed rate of 7.50% (effective for the prior year). Combined with the recognition of net investment gains from prior years, the net result was a return on the actuarial value of valuation assets of 10.8%, which is higher than the assumed return. This actuarial gain on valuation assets caused a decrease in the Statutory Contribution Rate.

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Overview (continued)

Note that currently a net asset gain of $268.3 million is being deferred. This is because the asset-smoothing method has not yet recognized a portion of the net asset gains from the current and prior four years. These deferred gains will be reflected in future valuations.

- **New Member Rates:** Due to assumption changes adopted by the Board based on the 2014 Investigation of Experience, there are changes to the member rates. For most employees, there will be relatively small increases of about 2%, although some of the smaller groups had greater variability due to year-to-year changes in the population. See Exhibit 1b for details. A complete list of all member rates is shown in Appendix D.

Comparison with Prior Year

Note that for comparison purposes, the prior year employer Statutory Contribution Rates shown in this report are those calculated in the June 30, 2013 actuarial valuation and reflect the subsequent revisions to that report to reflect changes in Plan 7 member rates caused by legislation modifying some provisions of PEPRA.

Summary of Recommendations

The following exhibits summarize our recommendations to the Board.

San Mateo County Employees' Retirement Association

Exhibit 1a Summary of Recommendations

Recommendation #1: Adopt new Statutory Contribution Rates for fiscal year beginning July 1, 2015

	Fiscal Year Beginning July 1, 2015	Fiscal Year Beginning July 1, 2014	Increase / (Decrease)
Gross Normal Cost	22.22%	21.74%	0.48%
Member Contributions	(10.60)%	(10.55)%	(0.05)%
Employer Normal Cost	11.62%	11.19%	0.43%
UAAL Amortization	23.94%	26.28%	(2.34)%
Total Employer Rate	35.56%	37.47%	(1.91)%

Note:
1) Detailed contribution rates by plan are shown in Section 6.

Exhibit 1b Summary of Recommendations (continued)

Recommendation #2: Adopt new member contribution rates for fiscal year beginning July 1, 2015

	Entry Age	Recommended Rates: Basic	50% COLA Sharing(1)	Cost Sharing(3)	Total as a % of Pay(2)	Current: Total as a % of Pay(2)	Ratio (New/Curr)
General Members (including SMCM&VCD, where applicable)							
Plan 1	25	6.34%	2.48%	3.00%	9.34%	9.19%	101.6%
	35	7.60%	2.98%	3.00%	10.60%	10.42%	101.7%
	45	9.13%	3.58%	3.00%	12.13%	11.91%	101.8%
Plan 2	25	6.34%	2.13%	3.00%	9.34%	9.19%	101.6%
	35	7.60%	2.56%	3.00%	10.60%	10.42%	101.7%
	45	9.13%	3.07%	3.00%	12.13%	11.91%	101.8%
Plan 4	25	6.10%	1.40%	3.00%	9.10%	8.94%	101.8%
	35	7.31%	1.68%	3.00%	10.31%	10.12%	101.9%
	45	8.74%	2.01%	3.00%	11.74%	11.51%	102.0%
Plan 5	25	5.24%	1.16%	0.00%	6.40%	6.21%	103.1%
	35	6.29%	1.39%	0.00%	7.68%	7.45%	103.1%
	45	7.55%	1.67%	0.00%	9.22%	8.94%	103.1%
Plan 7 (General)	All	6.68%	1.24%	0.00%	7.92%	7.58%	104.5%
Plan 7 (SMCM&VCD)	All	5.49%	1.02%	0.00%	6.51%	7.58%	85.9%
PDA Members (Reflects Employer Pick-up)							
Plans 1 & 2	25	6.90%	4.66%	3.50%	10.40%	10.23%	101.7%
	35	8.28%	5.59%	3.50%	11.78%	11.58%	101.7%
	45	9.75%	6.58%	3.50%	13.25%	13.01%	101.8%
Plan 4	25	6.63%	2.76%	3.50%	10.13%	9.96%	101.7%
	35	7.96%	3.31%	3.50%	11.46%	11.25%	101.9%
	45	9.21%	3.83%	3.50%	12.71%	12.46%	102.0%
Plan 5	25	6.63%	2.56%	3.50%	12.69%	12.35%	102.8%
	35	7.96%	3.08%	3.50%	14.54%	14.12%	103.0%
	45	9.21%	3.56%	3.50%	16.27%	15.78%	103.1%
Plan 6	25	6.63%	2.21%	0.00%	8.84%	8.62%	102.6%
	35	7.96%	2.65%	0.00%	10.61%	10.34%	102.6%
	45	9.21%	3.07%	0.00%	12.28%	11.95%	102.8%
Plan 7	All	10.95%	2.47%	0.00%	13.42%	13.78%	97.4%

(1) Only certain rehired members of plans 1, 2 and 4 pay 50% COLA share. All members of plans 5 and 6 pay 50% COLA share. Plan 1, 2 and 4 members of the California Nurses Assocation, the Union of American Physicians and Dentists, and the Probation Detention Association all pay 25% COLA share. Plan 7 COLA share represents one-half of the normal cost of the COLA. See Appendix B of this report for a full description of members COLA share. See Appendix D of this report for a full schedule of rates.

(2) For plans 1, 2 and 4 the total cost does not include COLA share as not all members pay COLA share.

(3) Cost Sharing varies for Deputy Sheriffs as follows:

3.0% if employee is less than 45 and has less than 5 years of service.
3.5% if employee is less than 45 and has between 5 and 15 years of service.
4.5% if employee is older than 45 or has at least 15 years of service.

Exhibit 1b Summary of Recommendations (continued)

Recommendation #2: Adopt new member contribution rates for fiscal year beginning July 1, 2015

	Entry Age	Recommended Rates: Basic	50% COLA Sharing(1)	Cost Sharing(3)	Total as a % of Pay(2)	Current: Total as a % of Pay(2)	Ratio (New/Curr)
Probation Managers							
Plans 1 & 2	25	8.62%	5.00%	3.50%	12.12%	11.91%	101.8%
	35	10.35%	6.00%	3.50%	13.85%	13.59%	101.9%
	45	12.19%	7.07%	3.50%	15.69%	15.39%	101.9%
Plan 4	25	8.29%	2.82%	3.50%	11.79%	11.57%	101.9%
	35	9.95%	3.38%	3.50%	13.45%	13.18%	102.0%
	45	11.52%	3.91%	3.50%	15.02%	14.70%	102.2%
Plan 5	25	8.29%	2.55%	3.50%	14.34%	14.00%	102.4%
	35	9.95%	3.06%	3.50%	16.51%	16.09%	102.6%
	45	11.52%	3.54%	3.50%	18.56%	18.07%	102.7%
Plan 6	25	8.29%	2.33%	0.00%	10.62%	10.24%	103.7%
	35	9.95%	2.80%	0.00%	12.75%	12.28%	103.8%
	45	11.52%	3.24%	0.00%	14.76%	14.21%	103.9%
Plan 7	All	10.95%	2.47%	0.00%	13.42%	13.78%	97.4%
Safety Members (3)							
Plans 1 & 2	25	8.62%	5.00%	5.00%	13.62%	13.41%	101.6%
	35	10.35%	6.00%	5.00%	15.35%	15.09%	101.7%
	45	12.19%	7.07%	5.00%	17.19%	16.89%	101.8%
Plan 4	25	8.29%	2.82%	5.00%	13.29%	13.07%	101.7%
	35	9.95%	3.38%	5.00%	14.95%	14.68%	101.8%
	45	11.52%	3.91%	5.00%	16.52%	16.20%	102.0%
Plan 5	25	8.29%	2.55%	4.00%	14.84%	14.50%	102.3%
	35	9.95%	3.06%	4.00%	17.01%	16.59%	102.5%
	45	11.52%	3.54%	4.00%	19.06%	18.57%	102.6%
Plan 6	25	8.29%	2.33%	0.00%	10.62%	10.24%	103.7%
	35	9.95%	2.80%	0.00%	12.75%	12.28%	103.8%
	45	11.52%	3.24%	0.00%	14.76%	14.21%	103.9%
Plan 7	All	12.08%	2.56%	0.00%	14.64%	14.28%	102.5%

(1) *Only certain rehired members of plans 1, 2 and 4 pay 50% COLA share. All members of plans 5 and 6 pay 50% COLA share. Plan 1, 2 and 4 members of the California Nurses Assocation, the Union of American Physicians and Dentists, and the Probation Detention Association all pay 25% COLA share. Plan 7 COLA share represents one-half of the normal cost of the COLA. See Appendix B of this report for a full description of members COLA share. See Appendix D of this report for a full schedule of rates.*

(2) *For plans 1, 2 and 4 the total cost does not include COLA share as not all members pay COLA share.*

(3) *Cost Sharing varies for Deputy Sheriffs as follows:*

3.0% if employee is less than 45 and has less than 5 years of service.
3.5% if employee is less than 45 and has between 5 and 15 years of service.
4.5% if employee is older than 45 or has at least 15 years of service.

Employer Contribution Rate

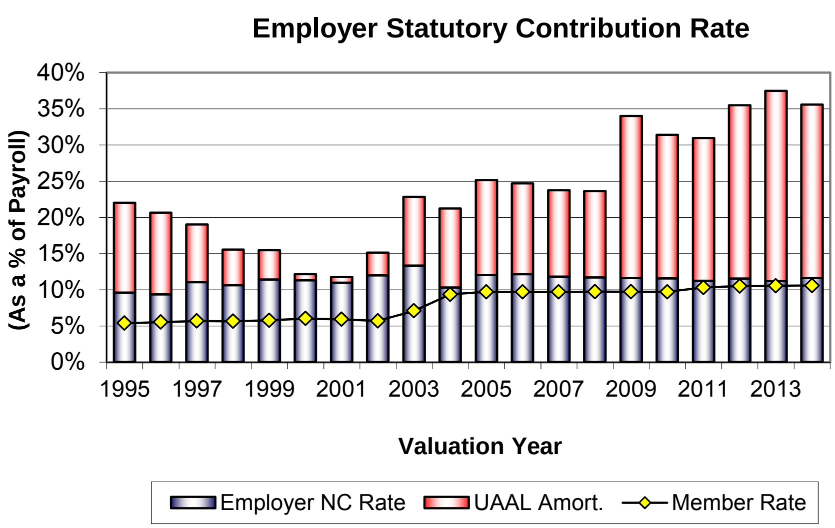
The Statutory Contribution Rate is equal to the payment of the Employer Normal Cost rate plus a 15-year layered amortization of the UAAL (excluding the CSCA) for each year beginning with the UAAL as of June 30, 2008. The UAAL rate for the County is reduced to reflect the CSCA. The Statutory Contribution Rate (blended average for all employers) for the fiscal year beginning July 1, 2015 is 35.56%. The Statutory Contribution Rate for the County only is 35.78%.

We have calculated Adjusted Contribution Rates consistent with the Memorandum of Understanding (MOU) adopted by the County in 2013. Under the MOU, the County's intent is to pay a total contribution rate of 38.00% of pay. The Adjusted Contribution Rates vary by plan and are expected to be equivalent to 38.00% of pay for the County. Note that no adjustments are made to the Statutory Contribution Rates for the Courts or the San Mateo County Mosquito and Vector Control District (SMCM&VCD). In total, the Adjusted Contribution Rates are equivalent to 37.67% of payroll for all employers for the fiscal year 2015-2016.

It should be noted that these rates are a weighted average for all SamCERA plans. The actual percent of payroll to be contributed by each employer varies by plan. See Exhibits 10a through 10e for the Statutory Contribution Rates by plan. Exhibits 11a through 11e show the Adjusted Contribution Rates by plan reflecting the MOU provisions.

In our opinion, the contribution rates calculated are adequate to maintain the funding of the retirement system benefits based on the actuarial methods and assumptions shown in Appendix A of this report.

A historical perspective of the total Statutory Contribution Rate is shown in the following graph.



Comparison with Last Year

A detailed analysis of the sources of the changes in both the employer contribution rates and the Funded Ratio was performed. There were several factors that influenced the Funded Ratio and the employer contribution rate, with the overall impact of these additional factors being an increase in the Funded Ratio and a decrease in the employer rates from the last valuation.

The following chart shows how the various factors affected the overall funding of SamCERA, as compared to the last valuation.

Sources of Change	Statutory Contribution Rate	Funded Ratio
June 30, 2013 Actuarial Valuation	**37.47%**	**73.3%**
Assumption Changes	2.05%	-1.2%
Expected Year-to-Year Change	0.00%	2.5%
Recognized Asset Gain/Loss		
From Current Year	-1.01%	1.2%
From Prior Years	-0.92%	1.1%
Retiree COLAs Less than Expected	-0.34%	0.3%
Salary Increase < Assumed	-0.35%	0.3%
CSCA Contribution Funding	-1.06%	1.4%
Increase in Plan 7 Membership	-0.20%	0.0%
Other Experience Changes	-0.08%	-0.1%
Total Change	**-1.91%**	**5.5%**
June 30, 2014 Actuarial Valuation	**35.56%**	**78.8%**

Funding Progress

Based on the 2013 valuation, the expected UAAL as of June 30, 2014 was $916 million. The actual UAAL for the fiscal year ending June 30, 2014 is $804 million. This difference was primarily caused by the recognition of asset gains ($88 million) and CSCA contributions ($50 million). Other factors, such as salary increases and CPI increases less than assumed also contribute to the reduction in the UAAL. The assumption changes adopted by the Board based on the 2014 Investigation of Experience resulted in an increase of $59 million which partially offsets the gains experienced. These factors are shown in detail at the end of Section 4.

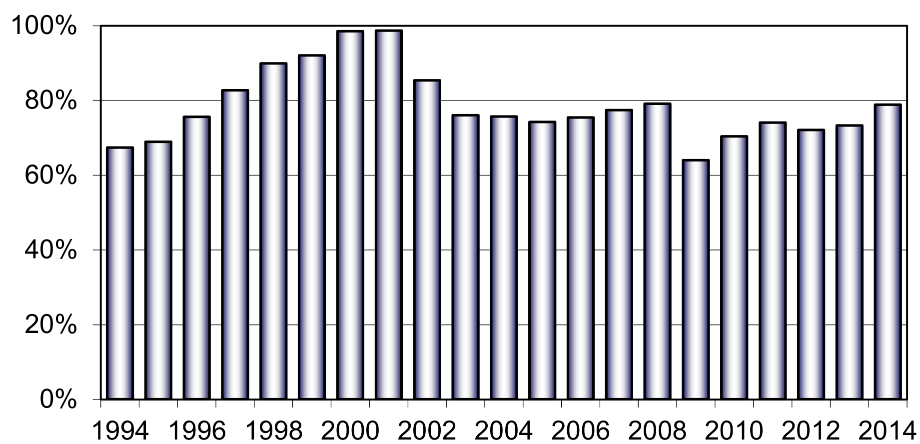
Funding Progress (continued)

One measure of the funding adequacy of the system is the Funded Ratio, which compares the value of the Actuarial Value of Assets (net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL) for all SamCERA plans combined. SamCERA's funded ratio increased rapidly in the last half of the 1990s, reaching almost 100% in 2001. However, due primarily to asset losses from that time through 2009, the funded ratio decreased significantly in the following years. In recent years, the funded ratio has improved, due primarily to strong investment performance, and also to strong funding. Currently, the Funded Ratio is 78.8%; that is, the valuation assets of $2,993 million are about 21% less than the actuarial accrued liabilities of $3,797 million. Note that if the market value of assets was used, the Funded Ratio would be 86.7%.

(All dollar amounts in millions)

	Market Value of Total Assets	Actuarial Value		Actuarial Accrued Liability	Funded Ratio
		Valuation	Non-Valuation		
2005	1,599	1,616	0	2,178	74.2
2006	1,790	1,769	0	2,345	75.4
2007	2,132	1,977	0	2,555	77.4
2008	2,011	2,219	0	2,806	79.1
2009	1,591	1,910	0	2,988	63.9
2010	1,816	2,179	0	3,098	70.3
2011	2,318	2,405	0	3,247	74.1
2012	2,360	2,480	0	3,443	72.0
2013	2,728	2,619	0	3,573	73.3
2014	3,292	2,993	30	3,797	78.8

Historical Funded Ratios



Assets

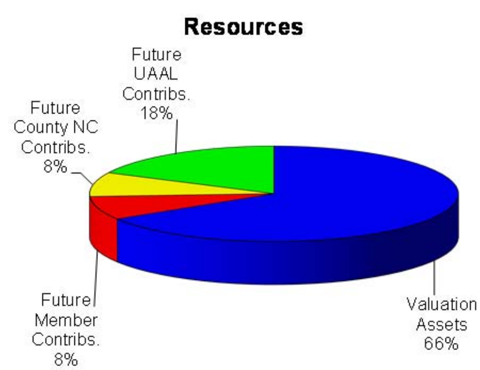
For the fiscal year ending June 30, 2014, SamCERA earned 17.3% net of investment expenses, on its market assets. This figure was provided by SamCERA and will be shown in the 2014 CAFR.

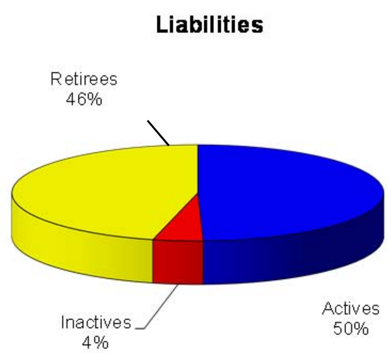
SamCERA uses an asset-smoothing method in the calculation of the UAAL contribution. Under this method, the market value returns are smoothed over a five-year period (10 six-month periods). Due to the recognition of deferred prior year asset gains, the return on actuarial valuation assets, at 10.8% net of expenses, was higher than the assumed return of 7.50% for the prior year.

Actuarial Balance Sheet

The first step in the valuation process is to compare the total valuation assets of SamCERA with its total liabilities for all plans. In this analysis, SamCERA's resources equal the actuarial assets plus the expected future contributions by both the employers and members. Liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members. This relationship is shown in the following chart. The AAL is the total of these liabilities less expected future Normal Cost contributions.

Comparing the current and future resources to the current and future liabilities, we then determine the annual contribution amount for the coming fiscal year.



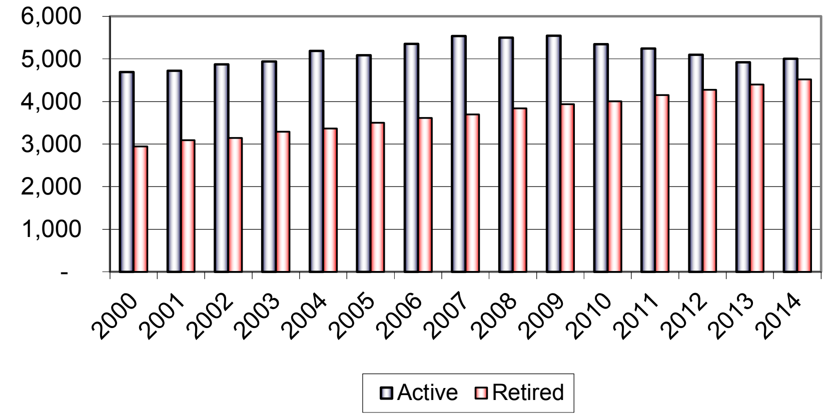


Member Information

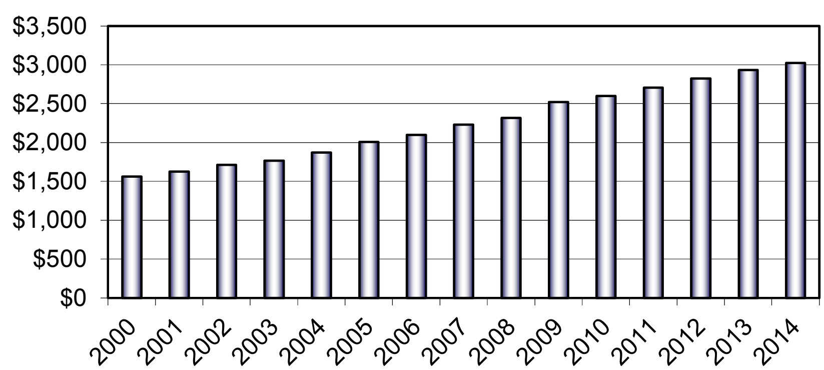
The number of active members included in the valuation increased by 1.8% from 4,917 in 2013 to 5,004 in 2014.

Retired member counts and average retirement benefit amounts continue to increase steadily. For 2014, there were 4,518 retired members and beneficiaries with an average benefit of $3,021 per month. This represents a 2.7% increase in count (up from 4,398 in 2013), and a 3.0% increase in the average monthly benefit (up from $2,933 over the period).

Membership Count



Average Monthly Retirement Benefit



Analysis of Change in Member Population

The following table summarizes the year-to-year change in member population.

	Active Members	Vested Terminated Members	Service Retired Members	Disabled Retired Members	Beneficiaries in Pay	Total
As of June 30, 2013	**4,917**	**1,306**	**3,446**	**393**	**559**	**10,621**
New Members	455	24	5	1	34	519
Return to active	81	(80)	(1)	0	0	0
Terminations with vested benefits	(206)	206	0	0	0	0
Terminations with refund	(106)	(50)	0	0	0	(156)
Service Retirements	(125)	(75)	200	0	0	0
Disabled Retirements	(9)	(21)	(16)	46	0	0
Deaths	(3)	(6)	(108)	(12)	(27)	(156)
Data adjustments	0	0	(1)	0	(1)	(2)
As of June 30, 2014	**5,004**	**1,304**	**3,525**	**428**	**565**	**10,826**

Summary Valuation Results

The following Exhibit 2 presents a comparison of the key results from the June 30, 2014 and June 30, 2013 valuations. More detail on each of these elements can be found in the following sections and exhibits of this report.

Exhibit 2: Summary of Significant Valuation Results

	June 30, 2014	June 30, 2013	Relative Change
1. Total Membership			
A. Active Members	5,004	4,917	1.8 %
B. Retired Members & Beneficiaries	4,518	4,398	2.7%
C. Vested Terminated Members	1,304	1,306	(0.2)%
D. Total	10,826	10,621	1.9 %
2. Pay Rate			
A. Annual Total ($thousands)	$ 429,407	$ 414,551	3.6%
B. Monthly Average	$ 7,151	$ 7,026	1.8%
3. Average Monthly Benefit to Current Retirees and Beneficiaries			
A. Service Retirement	$ 3,158	$ 3,071	2.8%
B. Disability Retirement	$ 3,175	$ 3,032	4.7%
C. Surviving Spouse and Dependents	$ 2,047	$ 2,008	1.9%
D. Total	$ 3,021	$ 2,933	3.0%
4. Actuarial Accrued Liability ($thousands)			
A. Active Members	$ 1,511,714	$ 1,415,160	6.8%
B. Retired Members	$ 2,088,527	$ 1,964,840	6.3%
C. Vested Terminated Members	$ 196,801	$ 192,750	2.1%
D. Total	$ 3,797,042	$ 3,572,750	6.3%
5. Assets			
A. Market Value of Fund ($thousands)	$ 3,291,694	$ 2,727,825	20.7%
B. Return on Market Value	17.3%	13.6%	
C. Actuarial Value ($thousands)	$ 2,993,187	$ 2,618,639	14.3%
D. Return on Actuarial Value	10.8%	3.7%	
6. Unfunded Actuarial Accrued Liability or Surplus Funding ($thousands)	$ 803,855	$ 954,111	(15.7)%
7. Statutory Employer Contribution Rate for all plans combined as a percent of total payroll			
A. Gross Normal Cost	22.22%	21.74%	2.2%
B. Member Contributions	(10.60)%	(10.55)%	0.5%
C. Employer Normal Cost	11.62%	11.19%	3.8%
D. UAAL Amortization	23.94%	26.28%	(8.9)%
E. Total Employer Rate	35.56%	37.47%	(5.1)%
8. Funded Ratio (5C / 4D)	78.8%	73.3%	7.6%
9. Results Based on Market Value (No Asset Smoothing) -- For Informational Purposes Only			
A. Total Employer Rate	29.00%	34.99%	(17.1)%
B. Funded Ratio (5A / 4D)	86.7%	76.4%	13.5%

Section 2: Scope of the Report

This report presents the actuarial valuation of the San Mateo County Employees' Retirement Association as of June 30, 2014. This valuation was requested by the Board. Section 31453 of the County Employees Retirement Law of 1937 (the '37 Act) requires an actuarial valuation to be performed at least every three years for the purposes of setting contribution rates.

In reading our cover letter, please pay particular attention to the guidelines employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings depend. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of SamCERA. The assets and investment income are presented in Exhibits 3-5.
Exhibits 6-8 develop the Actuarial Value of Assets as of June 30, 2014.

Section 4 describes the benefit obligations of SamCERA. Exhibit 9 is the Actuarial Balance Sheet. Additional analysis on the change in UAAL is also provided in this section.

Section 5 discusses the Member contribution rates.

Section 6 discusses the employer contributions needed to fund the benefits under the actuarial cost method in use.

Section 7 discloses information to be included in SamCERA's CAFR.

This report includes several appendices:

- Appendix A   A summary of the actuarial procedures and assumptions used to estimate liabilities and contributions.
- Appendix B   A summary of the current benefit structure, as determined by the provisions of governing law on June 30, 2014.
- Appendix C   Schedules of valuation data classified by various categories of members by plan.
- Appendix D   Member contribution rates by plan.
- Appendix E   A glossary of actuarial terms used in this report.

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In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date which, for this valuation, is June 30, 2014. On that date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the accrued and future actuarial liabilities, which are generally well in excess of the actuarial assets. The purpose of the valuation is to determine what future contributions by the members and employer are needed to pay all expected future benefits.

This section of the report deals with the determination of assets used for funding purposes. In the next section, the actuarial liabilities will be discussed. Sections 5 and 6 deal with the process for determining required contributions based on the relationship between the actuarial assets and the actuarial liabilities.

A historical summary of SamCERA's assets is presented below:

All dollar amounts in millions

		Actuarial Value	
	Market Value of Total Assets	Non-Valuation Reserves	Valuation Assets
2000	$ 1,381	$ 49	$ 1,271
2001	1,308	51	1,385
2002	1,207	32	1,417
2003	1,233	34	1,354
2004	1,435	31	1,453
2005	1,599	0	1,616
2006	1,790	0	1,769
2007	2,132	0	1,977
2008	2,011	0	2,219
2009	1,591	0	1,910
2010	1,816	0	2,179
2011	2,318	0	2,405
2012	2,360	0	2,480
2013	2,728	0	2,619
2014	3,292	30	2,993

On June 30, 2014, the total market value of the fund was about $3.29 billion. The actuarial value of the fund was determined to be $3.02 billion, including the non-valuation reserves.

Financial Exhibits

Exhibit 3 presents a Statement of Plan Net Assets and Exhibit 4 presents a Statement of Changes in Plan Net Assets. Exhibit 5 describes the allocation of SamCERA's assets by the various reserve values determined for accounting purposes.

Exhibits 3-5 are taken from data furnished to us by SamCERA for its annual financial report. We have accepted these tables for use in this report without audit, but we have reviewed them for reasonableness and consistency with previous reports.

Actuarial Asset Method

The actuarial asset method computes the expected market value of assets based on the prior year's market value of assets, the actual cash flow of contributions and benefit payments, and the assumed investment rate of return. For the current valuation, the assumed rate of return on the prior year's assets is 7.50%, net of all expenses. The difference between the actual market value and the computed expected market value is smoothed or recognized over a five-year period.

Beginning with the June 30, 2014 valuation, assets used to calculate the preliminary UAAL contribution rates exclude the value of the CSCA. The CSCA is used to adjust the County's Statutory Contribution Rate, for this purpose we track CSCA and all other assets separately.

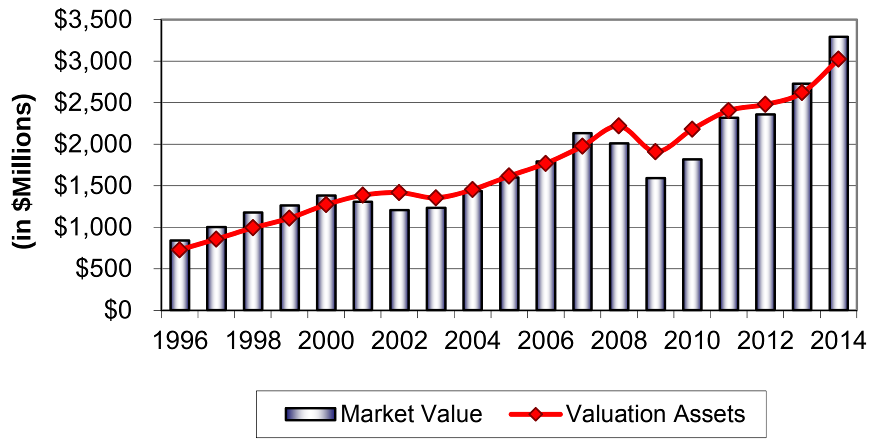
Actuarial Value of Assets

The development of the June 30, 2014 actuarial value of assets is shown in Exhibits 6 and 7. Exhibits 6a and 7a show the development of the total actuarial value of assets. Exhibits 6b and 7b show the development excluding the CSCA. Exhibits 6c and 7c show the development of the actuarial value of assets for the CSCA.

Actuarial Value of Assets (continued)

Note that the smoothing process has recognized all of the investment gains and losses from 2009 and earlier over the last few years. However, there are still portions of investment gains and losses that have not yet been recognized by the asset smoothing method, including the current year gain. The result is a market value of assets that is higher than the actuarial value. The following graph shows a historical comparison of the total actuarial and market assets used for valuation purposes on a system-wide basis.

Applicable Valuation Assets



Valuation Assets

Valuation Assets are the actuarial value of the fund, less the value of any reserves which have been set aside for current liabilities and special benefits (if any) that are to be funded outside of the actuarially determined contribution rates.

Allocation of Assets

Valuation assets are allocated by classification (general, safety, and probation) as shown in exhibits 8a and 8b. This is because UAAL contribution rates are determined separately by class and plan.

In the calculation of the Statutory Contribution Rate, the Normal Cost is determined separately for each plan. The UAAL portion of the rate is allocated proportionately to each classification. To determine the UAAL amount by classification, the valuation assets are allocated in proportion to the expected UAAL after reflecting expected contributions from the prior year to pay down the UAAL. The allocation is done without consideration of the CSCA. These calculations are shown in Exhibit 8b. The same allocation proportions are applied to total assets to show the asset allocations to each class in aggregate.

Note that we do not separately allocate assets by class for the CSCA as this is not necessary for our calculations.

Milliman

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

San Mateo County Employees' Retirement Association

Exhibit 3: Statement of Plan Net Assets for the Years Ended June 30, 2013 and 2014

	2014	2013
Assets		
Cash and Cash Equivalents	78,671,477	39,405,154
Cash Management Overlay	21,446,466	-
Securities Lending Cash Collateral	-	136,413,481
Total Cash	$ 100,117,943	$ 175,818,636
Receivables		
Contributions	4,648,233	3,611,259
Due from broker for investments sold	12,596,153	139,326,538
Investment Income	3,483,030	4,998,825
Other receivables	39,953	113,812
Securities Lending Income	113,410	60,596
Total Receivables	20,880,779	148,111,030
Prepaid Expense	7,669	7,669
Investments at Fair Value		
Domestic fixed income securities	493,024,480	428,578,645
International fixed income securities	100,023,249	112,393,585
Domestic equities	1,229,039,423	1,135,856,342
International equities	653,569,353	494,939,553
Real estate	183,566,990	166,154,482
Private Equities	138,490,534	64,325,070
Risk Parity	197,597,402	157,444,012
Hedge Funds	117,896,816	73,717,734
Commodities	90,480,043	69,083,062
Total Investments	3,203,688,289	2,702,492,485
Capital Assets Net of Depreciation	-	-
Total Assets	**3,324,694,680**	**3,026,429,819**
Liabilities		
Payables		
Investment management fees	2,787,598	2,519,194
Due to broker for investments purchased	27,187,225	154,293,081
Collateral Payable for Securities Lending	-	136,413,481
Mortgage Note Payable		
Due within one year	-	-
Due in more than one year	-	-
Other	3,025,903	5,378,731
Total Liabilities	**33,000,727**	**298,604,487**
Net Assets Held in Trust for Pension Benefits	**$ 3,291,693,954**	**$ 2,727,825,332**

San Mateo County Employees' Retirement Association

Exhibit 4: Statement of Changes in Plan Net Assets for the Years Ended June 30, 2013 and 2014

	2014	2013
Additions		
Contributions		
Employer	$ 202,877,362	$ 144,308,171
Employee	46,593,698	55,407,941
Total Contributions	249,471,060	199,716,112
Investment Income/(Loss)		
Interest and dividends	54,492,076	55,101,945
Net appreciation/(depreciation) in Fair Value	454,082,350	293,808,144
	508,574,426	348,910,089
Less investment expense	26,524,556	21,926,630
Net Investment Income/(Loss)	482,049,870	326,983,459
Securities Lending Income		
Earnings	253,687	402,803
Less securities lending expense	(181,772)	(219,089)
Net Securities Lending Income	435,459	621,892
Other Additions	178,637	159,510
Total Additions/(Declines)	**732,135,025**	**527,480,973**
Deductions		
Association Benefits		
Service retirement allowances	139,036,410	131,638,612
Disability retirement allowances	19,266,623	16,705,247
Medical Benefits	-	-
Death and other death benefits	1,038,945	921,788
Total Association Benefits	159,341,978	149,265,647
Refunds of members' contributions	3,214,129	5,749,776
Administrative Expense	5,645,004	4,914,187
Other Expense	65,292	29,685
Total Deductions	**168,266,403**	**159,959,295**
Net Increase/(Decrease)	563,868,622	367,521,678
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	2,727,825,332	2,360,303,654
End of Year	**3,291,693,954**	**2,727,825,332**
Estimated Return, Net of Investment Expenses	17.3%	13.6%

San Mateo County Employees' Retirement Association

Exhibit 5: Allocation of Assets by Accounting Reserve Amounts for the Years Ended June 30, 2013 and 2014

	2014	2013
A. Valuation Reserves		
1. Member Reserve	$ 584,079,609	$ 534,275,685
2. County Advance Reserve	570,829,244	422,581,774
3. Retiree Reserves	877,161,874	918,589,967
4. Cost of Living Adjustment Reserve	1,019,232,798	930,358,295
5. County Supplemental Contributions Account Reserve	50,842,556	-
Total Valuation Reserves	**$ 3,102,146,081**	**$ 2,805,805,721**
B. Non-Valuation Reserves		
1. Contingency Reserve	$ 30,234,213	$ -
2. Undistributed Losses / Earnings Reserve	(108,622,522)	(187,166,322)
3. Other Specified Reserves	-	
Total Non-Valuation Reserves	**$ (78,388,309)**	**$ (187,166,322)**
C. Financial Statement Reserve	**$ -**	**$ -**
D. Market Stabilization Account	**$ 267,936,182**	**$ 109,185,933**
Total Reserves (Market Value of Assets)	**$ 3,291,693,954**	**$ 2,727,825,332**

Note: These amounts were determined by SamCERA *for accounting purposes. We have made minor rounding adjustments to these numbers.*

San Mateo County Employees' Retirement Association

Exhibit 6a: Five-Year Smoothing of Gains and Losses on Market Value (Total Assets) – History

History of Unexpected Asset Gains and Losses

Six-Month Period Ended	Market Value at Beginning of Period	Contributions	Benefit Payments	Market Value at End of Period	Assumed Rate of Return	Expected Return	Actual Return	Unexpected Gain / (Loss)
6/30/2014	$ 3,049,944,702	$ 153,384,050	$ 82,787,545	3,291,693,954	3.750%	$ 116,347,099	$ 171,152,747	$ 54,805,648
12/31/2013	2,727,825,332	96,087,010	79,768,567	3,049,944,702	3.750%	103,671,361	305,800,927	202,129,566
6/30/2013	2,558,508,635	99,631,258	78,520,689	2,727,825,332	3.750%	97,496,612	148,206,128	50,709,516
12/31/2012	2,360,303,654	100,084,854	76,494,734	2,558,508,635	3.750%	89,983,040	174,614,861	84,631,821
6/30/2012	2,280,940,966	28,676,113	73,157,072	2,360,303,654	3.875%	87,461,531	123,843,647	36,382,116
12/31/2011	2,317,775,829	171,960,784	69,678,010	2,280,940,966	3.875%	91,600,467	(139,117,637)	(230,718,104)
6/30/2011 *	2,167,939,516	96,998,690	67,484,144	2,317,775,829	3.875%	85,497,449	120,321,766	34,824,317
12/31/2010	1,815,896,455	102,489,209	64,824,842	2,167,939,516	3.875%	72,262,382	314,378,695	242,116,313
6/30/2010	1,863,720,265	80,266,609	63,207,613	1,815,896,455	3.875%	73,179,765	(64,882,806)	(138,062,571)
12/31/2009	1,591,399,558	76,317,198	61,669,503	1,863,720,265	3.875%	61,835,437	257,673,013	195,837,576

**2011 "Market Value at End of Period" reflects revisions to assets by SamCERA following publication of the June 30, 2011 actuarial valuation.*

San Mateo County Employees' Retirement Association

Exhibit 6b: Five-Year Smoothing of Gains and Losses on Market Value (excluding CSCA) – History

History of Unexpected Asset Gains and Losses								
Six-Month Period Ended	Market Value at Beginning of Period	Contributions	Benefit Payments	Market Value at End of Period	Assumed Rate of Return	Expected Return	Actual Return	Unexpected Gain / (Loss)
6/30/2014	$ 3,049,944,702	$ 103,384,050	$ 82,787,545	3,240,851,398	3.750%	$ 115,878,349	$ 170,310,191	$ 54,431,842
12/31/2013	2,727,825,332	96,087,010	79,768,567	3,049,944,702	3.750%	103,671,361	305,800,927	202,129,566
6/30/2013	2,558,508,635	99,631,258	78,520,689	2,727,825,332	3.750%	97,496,612	148,206,128	50,709,516
12/31/2012	2,360,303,654	100,084,854	76,494,734	2,558,508,635	3.750%	89,983,040	174,614,861	84,631,821
6/30/2012	2,280,940,966	28,676,113	73,157,072	2,360,303,654	3.875%	87,461,531	123,843,647	36,382,116
12/31/2011	2,317,775,829	171,960,784	69,678,010	2,280,940,966	3.875%	91,600,467	(139,117,637)	(230,718,104)
6/30/2011 *	2,167,939,516	96,998,690	67,484,144	2,317,775,829	3.875%	85,497,449	120,321,766	34,824,317
12/31/2010	1,815,896,455	102,489,209	64,824,842	2,167,939,516	3.875%	72,262,382	314,378,695	242,116,313
6/30/2010	1,863,720,265	80,266,609	63,207,613	1,815,896,455	3.875%	73,179,765	(64,882,806)	(138,062,571)
12/31/2009	1,591,399,558	76,317,198	61,669,503	1,863,720,265	3.875%	61,835,437	257,673,013	195,837,576

**2011 "Market Value at End of Period" reflects revisions to assets by SamCERA following publication of the June 30, 2011 actuarial valuation.*

San Mateo County Employees'
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Exhibit 6c: Five-Year Smoothing of Gains and Losses on Market Value of CSCA – History

History of Unexpected Asset Gains and Losses

Six-Month Period Ended	Market Value at Beginning of Period	Contributions	Benefit Payments	Market Value at End of Period	Assumed Rate of Return	Expected Return	Actual Return	Unexpected Gain / (Loss)
6/30/2014	$ 0	$ 50,000,000	$ -	50,842,556	3.750%	$ 468,750	$ 842,556	$ 373,806
12/31/2013	0	0	0	0	3.750%	0	0	0
6/30/2013	0	0	0	0	3.750%	0	0	0
12/31/2012	0	0	0	0	3.750%	0	0	0
6/30/2012	0	0	0	0	3.875%	0	0	0
12/31/2011	0	0	0	0	3.875%	0	0	0
6/30/2011	0	0	0	0	3.875%	0	0	0
12/31/2010	0	0	0	0	3.875%	0	0	0
6/30/2010	0	0	0	0	3.875%	0	0	0
12/31/2009	0	0	0	0	3.875%	0	0	0

Exhibit 7a: Five-Year Smoothing – Development of Valuation Assets (Total Assets)

Development of Market Stabilization Reserve

	Phase-Out of Gain / (Loss)				
Six-Month Period Ended	Percent Excluded		Unexpected Gain / (Loss)		Gain / (Loss) Excluded
6/30/2014	90%	x	$ 54,805,648	=	$ 49,325,083
12/31/2013	80%	x	202,129,566	=	161,703,653
6/30/2013	70%	x	50,709,516	=	35,496,661
12/31/2012	60%	x	84,631,821	=	50,779,092
6/30/2012	50%	x	36,382,116	=	18,191,058
12/31/2011	40%	x	(230,718,104)	=	(92,287,241)
6/30/2011	30%	x	34,824,317	=	10,447,295
12/31/2010	20%	x	242,116,313	=	48,423,263
6/30/2010	10%	x	(138,062,571)	=	(13,806,257)
12/31/2009	0%	x	195,837,576	=	0
Total Gain / (Loss) Excluded = Market Stabilization Reserve				=	$ 268,272,607

Development of Valuation Assets

1.	Market Value of Assets as of June 30, 2014		$ 3,291,693,954
2.	Preliminary Market Stabilization Reserve		268,272,607
3.	Preliminary Actuarial Value of Assets (1) - (2)		3,023,421,347
4.	Corridor Around Market Value		
	a) Minimum = 80% of Market	2,633,355,163	
	b) Maximum = 120% of Market	3,950,032,745	
	c) Corridor Adjustment		0
5.	Market Stabilization Reserve	268,272,607	
6.	Gross Actuarial Valuation of Assets (3) - (4c)		$ 3,023,421,347
7.	Non-Valuation Reserves		
	a) Contingency Reserve	30,234,213	
	b) Undistributed Earnings / Losses Reserve	0	
	c) Other Specified Reserves	0	
	d) Total		30,234,213
8.	Valuation Assets (6) - (7d)		$ 2,993,187,134

Milliman

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

San Mateo County Employees' Retirement Association

Exhibit 7b: Five-Year Smoothing – Development of Valuation Assets (excluding CSCA)

Development of Market Stabilization Reserve

Six-Month Period Ended	Percent Excluded		Phase-Out of Gain / (Loss) Unexpected Gain / (Loss)		Gain / (Loss) Excluded
6/30/2014	90%	x	$ 54,431,842	=	$ 48,988,658
12/31/2013	80%	x	202,129,566	=	161,703,653
6/30/2013	70%	x	50,709,516	=	35,496,661
12/31/2012	60%	x	84,631,821	=	50,779,092
6/30/2012	50%	x	36,382,116	=	18,191,058
12/31/2011	40%	x	(230,718,104)	=	(92,287,241)
6/30/2011	30%	x	34,824,317	=	10,447,295
12/31/2010	20%	x	242,116,313	=	48,423,263
6/30/2010	10%	x	(138,062,571)	=	(13,806,257)
12/31/2009	0%	x	195,837,576	=	0
Total Gain / (Loss) Excluded = Market Stabilization Reserve				=	$ 267,936,182

Development of Valuation Assets

1.	Market Value of Assets as of June 30, 2014		$ 3,240,851,398
2.	Preliminary Market Stabilization Reserve		267,936,182
3.	Preliminary Actuarial Value of Assets (1) - (2)		2,972,915,216
4.	Corridor Around Market Value		
	a) Minimum = 80% of Market	2,592,681,118	
	b) Maximum = 120% of Market	3,889,021,678	
	c) Corridor Adjustment		0
5.	Market Stabilization Reserve	267,936,182	
6.	Gross Actuarial Valuation of Assets (3) - (4c)		$ 2,972,915,216
7.	Non-Valuation Reserves		
	a) Contingency Reserve	30,234,213	
	b) Undistributed Earnings / Losses Reserve	0	
	c) Other Specified Reserves	0	
	d) Total		30,234,213
8.	Valuation Assets (6) - (7d)		$ 2,942,681,003

Exhibit 7c: Five-Year Smoothing – Development of CSCA Assets

Development of Market Stabilization Reserve

	Phase-Out of Gain / (Loss)					
Six-Month Period Ended	Percent Excluded		Unexpected Gain / (Loss)		Gain / (Loss) Excluded	
6/30/2014	90%	x	$ 373,806	=	$ 336,425.40	
12/31/2013	80%	x	0	=	0	
6/30/2013	70%	x	0	=	0	
12/31/2012	60%	x	0	=	0	
6/30/2012	50%	x	0	=	0	
12/31/2011	40%	x	0	=	0	
6/30/2011	30%	x	0	=	0	
12/31/2010	20%	x	0	=	0	
6/30/2010	10%	x	0	=	0	
12/31/2009	0%	x	0	=	0	
Total Gain / (Loss) Excluded = Market Stabilization Reserve				=	$ 336,425	

Development of Valuation Assets

1.	Market Value of Assets as of June 30, 2014		$ 50,842,556
2.	Preliminary Market Stabilization Reserve		336,425
3.	Preliminary Actuarial Value of Assets (1) - (2)		50,506,131
4.	Corridor Around Market Value		
	a) Minimum = 80% of Market	40,674,045	
	b) Maximum = 120% of Market	61,011,067	
	c) Corridor Adjustment		0
5.	Market Stabilization Reserve	336,425	
6.	Gross Actuarial Valuation of Assets (3) - (4c)		$ 50,506,131
7.	Non-Valuation Reserves		
	a) Contingency Reserve	0	
	b) Undistributed Earnings / Losses Reserve	0	
	c) Other Specified Reserves	0	
	d) Total		0
8.	Valuation Assets (6) - (7d)		$ 50,506,131

San Mateo County Employees' Retirement Association

Exhibit 8: Allocation of Valuation Assets
(Dollars in Thousands)

	General	Safety	Probation	Total
1. Prior Year UAAL	$ 662,866	$ 229,836	$ 61,409	$ 954,111
2. Expected UAAL Contribution for Preceding Year	(69,407)	(25,809)	(6,445)	(101,661)
3. Expected Interest at 7.50%	47,159	16,287	4,368	67,814
4 Expected UAAL Based on Prior Year Assumptions	640,618	220,314	59,332	920,264
5. Percentage of Total Expected UAAL	69.61%	23.94%	6.45%	100.00%
6. Actual UAAL Based on Prior Year Assumptions				796,448
7. Actual AAL Based on Prior Year Assumptions	$ 2,749,599	$ 751,893	$ 237,637	$ 3,739,129
8. Allocated UAAL Based on Prior Year Assumptions	554,427	190,672	51,349	796,448
9. Valuation Assets (excluding CSCA)	**$ 2,195,172**	**$ 561,221**	**$ 186,288**	**$ 2,942,681**
10. Actual UAAL excluding CSCA Valuation Assets	$ 597,013	$ 202,319	$ 55,029	$ 854,361
11. Allocation of UAAL	69.88%	23.68%	6.44%	100.00%
12. Valuation Assets (CSCA)	**$ 35,293**	**$ 11,960**	**$ 3,253**	**$ 50,506**
13. Valuation Assets (Total)	**$ 2,230,465**	**$ 573,181**	**$ 189,541**	**$ 2,993,187**

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Section 4: Actuarial Liabilities

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of SamCERA's assets as of the valuation date, June 30, 2014. In this section, the discussion will focus on the commitments of SamCERA for retirement benefits, which are referred to as its actuarial liabilities.

In an active system, the combined current and future actuarial liabilities will almost always exceed the actuarial assets. This is usually expected in all but a fully closed down fund, where no further contributions of any sort are anticipated. This deficiency has to be provided by future contributions. An actuarial valuation method sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion. The determination of the level of future contributions needed is discussed in the next section.

Actuarial Balance Sheet – Liabilities

First, we need to determine the amount of the deficiency. We compare the Actuarial Value of the Valuation Assets to the Actuarial Liabilities. The difference is the amount that needs to be funded by the member and employer contributions in the future. Both the current and future assets (contributions) are compared to the actuarial liabilities in the Actuarial Balance Sheet.

Exhibit 9a contains an analysis of the actuarial present value of all future benefits for retired, deferred vested and active members and compares these with the total valuation assets. Exhibit 9b contains an analysis using the valuation assets excluding the CSCA. These analyses are displayed by class of membership and by type of benefit.

The actuarial liabilities include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and inactive, the value extends over the rest of their lives and for the lives of any surviving beneficiaries. All liabilities reflect the benefits effective through June 30, 2014.

The actuarial assumptions used to determine the liabilities are based on the results of our Investigation of Experience study for the period ending April 30, 2014. These assumptions were adopted by the Board at their July 2014 meeting and are shown in Appendix A. The assumptions will next be reviewed in detail in 2017 as part of the triennial investigation.

Exhibit 9a: Actuarial Balance Sheet (Total Assets)

June 30, 2014
(Dollars in Thousands)

Resources

	General	Safety	Probation	Total
Valuation Assets (Actuarial)	$ 2,230,331	$ 573,312	$ 189,544	$ 2,993,187
Present Value of Future Member Contributions	$ 278,715	$ 56,549	$ 24,519	$ 359,783
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	$ 261,737	$ 71,761	$ 37,133	$ 370,631
b) Unfunded Actuarial Accrued Liability	$ 561,854	$ 190,228	$ 51,773	$ 803,855
Total Resources	**$ 3,332,637**	**$ 891,850**	**$ 302,969**	**$ 4,527,456**

Liabilities

	General	Safety	Probation	Total
Present Value of Future Benefits				
1. Present Retired Members	$ 1,495,617	$ 485,182	$ 107,728	$ 2,088,527
2. Current Inactive Members	157,045	24,596	15,160	196,801
3. Current Active Members				
- Service Retirement	1,492,630	345,080	161,949	1,999,659
- Disability Retirement	87,870	20,795	10,161	118,826
- Death Benefits	24,053	7,054	3,233	34,340
- Deferred Vested Benefit	52,967	7,580	4,311	64,858
- Refund of Member Contributions	22,455	1,563	427	24,445
- Total Active	1,679,975	382,072	180,081	2,242,128
Total Actuarial Liabilities	**$ 3,332,637**	**$ 891,850**	**$ 302,969**	**$ 4,527,456**

San Mateo County Employees' Retirement Association

Exhibit 9b: Actuarial Balance Sheet (excluding CSCA)
June 30, 2014
(Dollars in Thousands)

Resources

	General	Safety	Probation	Total
Valuation Assets (Actuarial)	$ 2,195,172	$ 561,221	$ 186,288	$ 2,942,681
Present Value of Future Member Contributions	$ 278,715	$ 56,549	$ 24,519	$ 359,783
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	$ 261,737	$ 71,761	$ 37,133	$ 370,631
b) Unfunded Actuarial Accrued Liability	$ 597,013	$ 202,319	$ 55,029	$ 854,361
Total Resources	**$ 3,332,637**	**$ 891,850**	**$ 302,969**	**$ 4,527,456**

Liabilities

	General	Safety	Probation	Total
Present Value of Future Benefits				
1. Present Retired Members	$ 1,495,617	$ 485,182	$ 107,728	$ 2,088,527
2. Current Inactive Members	157,045	24,596	15,160	196,801
3. Current Active Members				
- Service Retirement	1,492,630	345,080	161,949	1,999,659
- Disability Retirement	87,870	20,795	10,161	118,826
- Death Benefits	24,053	7,054	3,233	34,340
- Deferred Vested Benefit	52,967	7,580	4,311	64,858
- Refund of Member Contributions	22,455	1,563	427	24,445
- Total Active	1,679,975	382,072	180,081	2,242,128
Total Actuarial Liabilities	**$ 3,332,637**	**$ 891,850**	**$ 302,969**	**$ 4,527,456**

Actuarial Balance Sheet – Resources

For the purpose of the Actuarial Balance Sheet, SamCERA's resources are equal to the sum of:

(a) Assets currently available to pay benefits and considered for funding purposes, the Valuation Assets,

(b) The present value of future contributions expected to be made by current active members, and

(c) The present value of future contributions expected to be made by the employer.

Actuarial Cost Method

The Actuarial Balance sheet determines the amount of future contributions that are needed, but the method used to determine the incidence of when those future contributions are yet to be made in future years is called the "actuarial cost method." For this valuation, the entry age actuarial cost method has been used. Under this method – or essentially any actuarial cost method – the contributions required to meet the difference between current assets and current actuarial liabilities are allocated each year between two elements:

- A Normal Cost amount; and
- Whatever amount is left over, which is used to amortize what is called the UAAL.

Normal Cost

The two items described above, the Normal Cost and UAAL, are the keys to understanding the actuarial cost method.

The Normal Cost is the theoretical contribution rate that will meet the ongoing costs of a group of average new employees. Suppose that a group of new employees was covered under a separate fund from which all benefits and to which all contributions and associated investment returns were paid.

Under the entry age actuarial cost method, the Normal Cost contribution rate maintains the funding of benefits as a level percentage of pay. If experience follows the actuarial assumptions precisely, the fund would be completely liquidated when the last payment to the last survivor of the group was made.

Normal Cost (continued)

By applying the Normal Cost contribution rate to the present value of salaries expected to be paid in the future, we determine the present value of future Normal Cost contributions. Future contributions are expected to be made by both the members and the employer. The basic member contribution rates are determined based upon requirements established in the '37 Act and the actuarial assumptions. Members may also make additional contributions as part of a cost sharing or COLA cost sharing arrangements. Based on these member contribution rates, we determine the present value of future member contributions. We subtract that value from the total future Normal Cost contributions expected, based on the entry age cost method. The remaining difference is the employer's portion of the future Normal Cost contributions.

Actuarial Accrued Liability

The difference between the present value of all future obligations and the present value of the future Normal Cost contributions is referred to as the "Actuarial Accrued Liability." The AAL is then compared to the value of assets available to fund benefits, and the difference is referred to as the UAAL. The results for SamCERA for all plans (and including all valuation assets) are summarized below:

(Dollars in millions)	2014	2013	Percent Change
A. Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors	$ 4,527	$ 4,280	5.8%
B. Actuarial present value of total future Normal Costs for current members	730	707	3.3%
C. Actuarial accrued liability [A-B]	$ 3,797	$ 3,573	6.3%
D. Valuation Assets	2,993	2,619	14.3%
E. UAAL or Surplus Funding [C-D]	$ 804	$ 954	(15.7)%
F. Funded Ratio [D/C]	78.8%	73.3%	7.5 %

Unfunded Actuarial Accrued Liability/ Surplus Funding

The portion allocated to service already rendered or accrued is called the Actuarial Accrued Liability. The difference between the Actuarial Accrued Liability and the Valuation Assets is called the Unfunded Actuarial Accrued Liability (UAAL). If a UAAL amount exists, it usually results from prior years' benefit or assumption changes and the net effect of accumulated gains and losses. If the employer had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the present value of all future Normal Cost contributions would be sufficient to fund all benefits and there would be no UAAL.

Unfunded Actuarial Accrued Liability/ Surplus Funding (continued)

Exhibits 9a and 9b show how the UAAL was derived for each classification. Exhibit 9a includes all valuation assets, and exhibit 9b excludes the CSCA. In the Actuarial Balance sheet, the total actuarial accrued liability for all future benefits must be equal to the current and future assets.

Funding Adequacy

A key consideration in determining the adequacy of the funding of SamCERA is how the UAAL is being funded. Under the current funding method, the June 30, 2008 UAAL is amortized over a fixed period ending June 30, 2023. Changes in the UAAL in years following June 30, 2008 are being amortized separately over new 15-year periods from the valuation date at which the difference is calculated, including the change in UAAL as of June 30, 2014.

Analysis of Change in UAAL

The UAAL, at any date after establishment of a system, is affected by any actuarial gains or losses arising when the actual experience of the system varies from the experience anticipated by the actuarial assumptions used in the valuations. To the extent actual experience, as it develops, differs from that expected according to the assumptions used, so also will the emerging costs differ from the estimated costs.

The 2014 actuarial valuation reflects a decrease in the system-wide UAAL of $150.2 million for the fiscal year just ended.

Unfunded Actuarial Accrued Liability - June 30, 2013	**$**	**954.1**
Expected Increase / (Decrease) *		(88.5)
Expected UAAL - June 30, 2014	**$**	**865.6**
Asset (Gains) and Losses		(88.0)
Retiree COLA Less than Expected		(15.6)
Salary Increases Less than Expected		(15.9)
Assumption Changes		59.3
Other Liability (Gain)/Loss		(1.5)
Total Changes		**(61.7)**
Actual UAAL - June 30, 2014	**$**	**803.9**

** Based on actual contributions.*

Section 5: Member Contributions

For SamCERA members in Plans 1-6, contributions are of three types: Basic contributions, Cost Sharing contributions, and COLA Cost Sharing contributions. SamCERA members in Plan 7 pay contributions equal to one-half of the total Normal Cost rate for all members.

Basic Contributions (Plans 1-6)

Basic contributions for Plans 1-6 are defined in the following sections of the County Employees' Retirement Law:

Plan	Code Section	Contribution Provides Average Annuity of
General Plans 1, 2 & 4	31621.9	1/120th of FAC at age 55
General Plan 5	31621	1/120th of FAC at age 60
Probation & Safety	31639.25	1/100th of FAC at age 50

FAC = Final Average Compensation

There are no member contributions under General Plan 3.

Basic member contributions are determined using the Entry Age Normal Cost Method and the following actuarial assumptions:

1. Expected rate of return on assets
2. Individual salary increase rate (wage growth + merit)
3. Mortality for members based on service retirement
4. No COLAs are assumed

The basic member contribution rates for Plans 1-6 were recalculated as of the June 30, 2014 valuation to reflect the investment return and wage growth assumptions adopted with the 2014 Investigation of Experience study. The rates are shown in Appendix D.

Cost-Sharing Contributions (Plans 1-5)

In addition to the basic rate, Plan 1, 2 and 4 General employees (excluding SMCM&VCD), as well as Plan 5 Safety and Probation employees, make additional cost-sharing contributions as shown in Appendix B. Plan 6 employees do not participate in cost-sharing. For valuation purposes, cost-sharing contributions are assumed to be permanent. The cost-sharing contributions are fixed and not impacted by changes in assumptions.

Cost-of-Living Contributions (Plans 1-6)

Members of the California Nurses Association, members of the Union of American Physicians and Dentists, and members of the Probation and Detention Association in Plans 1, 2, and 4 contribute 25% of the cost of COLA, in addition to all basic and cost-sharing rates applicable.

All members of General Plan 5 contribute 50% of the cost of COLA. Additionally, General members (Plans 1, 2 and 4) rehired on or after August 7, 2011 contribute 50% of the cost of COLA for their current Plan.

Members of Safety and Probation Plan 5 and 6 contribute 50% of the cost of COLA. Additionally, Probation members (Plans 1, 2 and 4) rehired on or after July 10, 2011 and Safety members (Plans 1, 2 and 4) rehired on or after January 8, 2012 contribute 50% of the cost of COLA for their current Plan.

Other current members do not contribute towards the COLA benefit.

COLA member rates are determined by calculating and applying a load factor to the basic member rates. COLA load factors are determined for each class and plan of member separately, as shown in the following table:

Plan	COLA Share	COLA Load
General 1 (County & Courts)(1)	50%	39.19%
General 2 (County & Courts)(1)	50%	33.64%
General 4 (County & Courts)(1)	50%	23.02%
General 1 (CNA and UAPD)	25%	19.60%
General 2 (CNA and UAPD)	25%	16.82%
General 4 (CNA and UAPD)	25%	11.51%
General 5	50%	22.14%
Safety 1(1)(2)	50%	57.96%
Safety 2(1)(2)	50%	57.96%
Safety 4(1)(2)	50%	33.97%
Safety 5(2)	50%	30.74%
Safety 6(2)	50%	28.12%
Probation 1 (PDA)	25%	33.75%
Probation 2 (PDA)	25%	33.75%
Probation 4 (PDA)	25%	20.78%
Probation 1 (PDA)(1)	50%	67.50%
Probation 2 (PDA)(1)	50%	67.50%
Probation 4 (PDA)(1)	50%	41.56%
Probation 5 (PDA)	50%	38.66%
Probation 6 (PDA)	50%	33.34%

(1) *Only applicable in cases where member rehires or transfers (if eligible).*
(2) *Probation Manager COLA loads are based on corresponding Safety loads.*

Example:
A member who enters General Plan 5 at age 35 has a basic member contribution rate of 6.29% (Exhibit D-1). The General Plan 5 COLA load is 22.14% for a member COLA contribution of 1.39% (6.29% x 22.14%) of pay. The basic plus COLA member contribution rate is 7.68% (6.29% + 1.39%).

Cost-of-Living Contributions (Plans 1-6) (continued)	The COLA factor is determined as the present value of future normal cost contributions for the applicable plan COLA divided by the present value of future basic member contributions. This ratio is then multiplied by the applicable COLA share percentage (0%, 25%, or 50%)
Member Contribution Rates – Pickup (Plans 1-6)	Note that a portion of some of the member contribution rates is paid for ("picked up") by the employer and may or may not be considered part of the member's contribution account for refund purposes. Consistent with past practice, we have reflected the pickup for Probation members (excluding managers), but not other classes, due to the differing treatment of contributions for refund purposes. Full disclosure of the member rates can be found in Appendix D.
Member Contribution Rates (Plan 7)	Contributions for Plan 7 are defined in Section 7522.30 of the Government Code. All employees of the same class who are members of Plan 7 shall contribute the same percentage of payroll. Such percentage will be 50% of the total Normal Cost rate for that class. The rates are recalculated annually. Effective July 1, 2014, Plan 7 member rates are as follows: • General members: 7.92% (increased from 7.58%) • SMCM&VCD members: 6.51% (decreased from 7.58%) • Safety members: 14.64% (increased from 14.28%) • Probation members: 13.42% (decreased from 13.78%)

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Section 6: Employer Contributions

Contributions to SamCERA are determined using the Entry Age Normal Cost Method. The portion of the actuarial present value of retirement benefits allocated to a valuation year by the Actuarial Cost Method is called the Normal Cost. These amounts are usually expressed as a percentage of payroll and called the Normal Cost Contribution Rate. Exhibit 12a shows the Normal Cost Rates by type of benefit and for each plan based on this valuation.

It should be noted that when we use the term "Gross Normal Cost rate," we are referring to the value of benefits earned by active members allocated to the valuation year. The Employer Normal Cost rate is the portion of the annual benefit that the employer is responsible for. This is simply the Gross Normal Cost rate less the contributions made by the members.

Note that in the following exhibits "SMCM&VCD" refers to the San Mateo County Mosquito and Vector Control District.

Statutory Contribution Rate

The total Statutory Contribution Rate for each plan, along with a comparison to the prior year's rates, can be found in Exhibits 10a through 10e. These results are expressed as a percentage of payroll. Note that SamCERA's UAAL is determined separately for each class. Thus, the employer funds the UAAL evenly as a percentage of pay over salaries for all members within a class.

The UAAL rate reflects a layered 15-year amortization beginning with the June 30, 2008 valuation. Gains and losses after that date are reflected over new 15-year periods starting with the valuation date. A one-year deferral in the implementation of the new rate is reflected. Therefore, the new employer contribution rate calculated in the 2014 valuation is paid over the remaining 14 years and is effective July 1, 2015.

Exhibit 12b shows detailed information on how the UAAL contribution rate is calculated using the layered method. These UAAL contribution rates are calculated excluding the CSCA. An adjustment to the County's Statutory Contribution Rate for the CSCA, equivalent to a 15-year amortization of the CSCA, is made separately.

Statistical Contribution Rate (continued)

The total Statutory Contribution Rate was 37.47% for the fiscal year beginning July 1, 2014. For the fiscal year beginning in 2015, the Statutory Contribution Rate based on this report decreased to 35.56%. This is equal to the aggregate Employer Normal Cost contribution rate of 11.62% based on Milliman's 2014 valuation, plus appropriate amounts to amortize the UAAL according to the funding policy, over layered 15-year closed periods.

Statutory Contribution Rate
(all values as a % of Payroll)

Employer Normal Cost	11.62%
Total Amortization of UAAL	23.94%
Total Employer Contribution	35.56%

Adjusted Contribution Rate (Reflecting MOU)

The total Adjusted Contribution Rate for each plan, along with a comparison to the prior year's rates, can be found in Exhibits 11a through 11e. These results are expressed as a percentage of payroll and reflect the County's intent to contribute 38.00% of payroll, as specified in the MOU.

The Adjusted Contribution Rates are based on the Statutory Contribution Rates with the County UAAL contribution rate adjusted proportionately so that the County's aggregate contribution rate is 38.00% of County payroll.

The total Adjusted Contribution Rate was 37.71% for the fiscal year beginning July 1, 2014. For the fiscal year beginning in 2015, the calculated Adjusted Contribution Rate based on this report is also 37.67%.

Adjusted Contribution Rate
(all values as a % of Payroll)

Employer Normal Cost	11.62%
Total Amortization of UAAL	26.05%
Total Employer Contribution	37.67%

Changes in the Normal Cost Rate

The change in the calculated Normal Cost contribution rates from year-to-year is generally due to two factors. The two factors are:

1. **Experience:** Normal experience from year-to-year, reflecting differences in both the weighting between membership groups and in their characteristics, as well as on what was assumed to occur during the past fiscal year and what actually occurred, particularly with respect to salary increases and turnover experience. Based on current system benefit provisions, the aggregate Normal Cost rate is expected to decrease as a greater number of members are covered by Plans 5, 6 and 7, instead of the more expensive previous plans. However, the change will be fairly gradual.

Changes in the Normal Cost Rate (continued)

2. **Contribution Shut-Off:** For general members hired prior to March 7, 1973 and all Safety and Probation members, basic member contributions are not collected after the member has 30 years of service. Thereafter, the member contributions towards the total annual Normal Cost are equal to the cost sharing, resulting in a sizable increase in the employer's share of the Normal Cost contributions for the years when the member has more than 30 years of service. The employer's share of the Normal Cost rates for those groups can be expected to increase rather than remain level, as otherwise expected under the entry age cost method.

San Mateo County Employees' Retirement Association

Exhibit 10a: Employer Statutory Contribution Rates – All Plans
June 30, 2014

All Plans

	Gross Normal Cost	Member Contributions	Employer Rates: Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate[1]	Total Contribution Rate	Prior Year Total Contribution Rate
General Members								
County	19.99%	(9.83)%	6.41%	3.75%	10.16%	20.21%	30.37%	32.09%
Courts	19.99%	(10.42)%	6.04%	3.53%	9.57%	21.16%	30.73%	32.09%
CNA	19.99%	(10.85)%	5.77%	3.37%	9.14%	20.21%	29.35%	31.27%
UAPD	19.99%	(10.85)%	5.77%	3.37%	9.14%	20.21%	29.35%	31.27%
Total	19.99%	(9.98)%	6.32%	3.69%	10.01%	20.26%	30.27%	31.96%
SMCM&VCD Members								
Total	18.97%	(7.25)%	8.30%	3.42%	11.72%	21.16%	32.88%	34.05%
Safety Members								
Total	32.96%	(13.97)%	11.96%	7.03%	18.99%	46.48%	65.47%	68.84%
Probation Members								
PDA	31.38%	(12.46)%	12.20%	6.72%	18.92%	28.09%	47.01%	47.65%
Managers	31.38%	(12.59)%	12.12%	6.67%	18.79%	28.09%	46.88%	47.17%
Total	31.38%	(12.48)%	12.19%	6.71%	18.90%	28.09%	46.99%	47.58%
All Plans								
Total	22.22%	(10.60)%	7.36%	4.26%	11.62%	23.94%	35.56%	37.47%
County Only								
Total	22.33%	(10.62)%	7.42%	4.29%	11.71%	24.07%	35.78%	37.80%

[1] *County UAAL Contribution Rate includes an aggregate offset of 1.11% of payroll to reflect the County Supplemental Contribution Account. Offsets vary by class of member as follows:*
- *General member UAAL offset is 0.95% of payroll*
- *Safety member UAAL offset is 2.02% of payroll*
- *Probation member UAAL offset is 1.24% of payroll*

Exhibit 10b: Employer Statutory Contribution Rates – General Members
June 30, 2014

General Members								
			Employer Rates					
	Gross Normal Cost	Member Contributions	Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate[1]	Total Contribution Rate	Prior Year Total Contribution Rate
Plan 1								
County	21.53%	(9.80)%	5.88%	5.85%	11.73%	20.21%	31.94%	33.60%
Courts	21.53%	(9.96)%	5.80%	5.77%	11.57%	21.16%	32.73%	33.60%
CNA	21.53%	(14.39)%	3.58%	3.56%	7.14%	20.21%	27.35%	32.16%
UAPD	21.53%	(14.39)%	3.58%	3.56%	7.14%	20.21%	27.35%	32.16%
Total	21.53%	(10.24)%	5.66%	5.63%	11.29%	20.25%	31.54%	33.44%
Plan 2								
County	21.27%	(10.34)%	5.86%	5.07%	10.93%	20.21%	31.14%	32.87%
Courts	21.27%	(10.14)%	5.96%	5.17%	11.13%	21.16%	32.29%	32.87%
CNA	21.27%	(11.88)%	5.03%	4.36%	9.39%	20.21%	29.60%	31.70%
UAPD	21.27%	(11.88)%	5.03%	4.36%	9.39%	20.21%	29.60%	31.70%
Total	21.27%	(10.52)%	5.76%	4.99%	10.75%	20.26%	31.01%	32.70%
Plan 3								
County	8.08%	0.00%	8.08%	0.00%	8.08%	20.21%	28.29%	30.18%
Courts	8.08%	0.00%	8.08%	0.00%	8.08%	21.16%	29.24%	30.18%
CNA	8.08%	0.00%	8.08%	0.00%	8.08%	20.21%	28.29%	30.18%
UAPD	8.08%	0.00%	8.08%	0.00%	8.08%	20.21%	28.29%	30.18%
Total	8.08%	0.00%	8.08%	0.00%	8.08%	20.23%	28.31%	30.18%
Plan 4								
County	20.85%	(10.55)%	6.76%	3.54%	10.30%	20.21%	30.51%	32.08%
Courts	20.85%	(10.69)%	6.67%	3.49%	10.16%	21.16%	31.32%	32.08%
CNA	20.85%	(11.84)%	5.92%	3.09%	9.01%	20.21%	29.22%	31.26%
UAPD	20.85%	(11.84)%	5.92%	3.09%	9.01%	20.21%	29.22%	31.26%
Total	20.85%	(10.69)%	6.67%	3.49%	10.16%	20.27%	30.43%	31.95%
Plan 5								
County	18.02%	(8.22)%	6.78%	3.00%	9.80%	20.21%	30.01%	31.43%
Courts	18.02%	(9.26)%	6.06%	3.00%	8.76%	21.16%	29.92%	31.43%
CNA	18.02%	(8.48)%	6.60%	3.00%	9.54%	20.21%	29.75%	31.43%
UAPD	18.02%	(8.48)%	6.60%	3.00%	9.54%	20.21%	29.75%	31.43%
Total	18.02%	(8.28)%	6.74%	3.00%	9.74%	20.23%	29.97%	31.43%
Plan 7								
County	15.83%	(7.92)%	5.28%	2.63%	7.91%	20.21%	28.12%	29.92%
Courts	15.83%	(7.92)%	5.28%	2.63%	7.91%	21.16%	29.07%	29.92%
CNA	15.83%	(7.92)%	5.28%	2.63%	7.91%	20.21%	28.12%	29.92%
UAPD	15.83%	(7.92)%	5.28%	2.63%	7.91%	20.21%	28.12%	29.92%
Total	15.83%	(7.92)%	5.28%	2.63%	7.91%	20.21%	28.12%	29.92%
All Plans								
County	19.99%	(9.83)%	6.41%	3.75%	10.16%	20.21%	30.37%	32.09%
Courts	19.99%	(10.42)%	6.04%	3.53%	9.57%	21.16%	30.73%	32.09%
CNA	19.99%	(10.85)%	5.77%	3.37%	9.14%	20.21%	29.35%	31.27%
UAPD	19.99%	(10.85)%	5.77%	3.37%	9.14%	20.21%	29.35%	31.27%
Total	19.99%	(9.98)%	6.32%	3.69%	10.01%	20.26%	30.27%	31.96%

[1] *UAAL Contribution Rate includes an offset of 0.95% of payroll to reflect the County Supplemental Contribution Account, except for Courts.*

Exhibit 10c: Employer Statutory Contribution Rates – SMCM & VCD Members June 30, 2014

SMCM&VCD Members								
			Employer Rates					
	Gross Normal Cost	Member Contributions	Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate	Total Contribution Rate	Prior Year Total Contribution Rate
Plan 1								
Total	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan 2								
Total	27.23%	(8.99)%	11.75%	6.49%	18.24%	21.16%	39.40%	40.04%
Plan 4								
Total	18.94%	(7.18)%	8.50%	3.26%	11.76%	21.16%	32.92%	33.40%
Plan 7								
Total	13.01%	(6.51)%	4.29%	2.21%	6.50%	21.16%	27.66%	30.25%
All Plans **Total**	18.97%	(7.25)%	8.30%	3.42%	11.72%	21.16%	32.88%	34.05%

Exhibit 10d: Employer Statutory Contribution Rates – Safety Members June 30, 2014

Safety Members								
			Employer Rates					
	Gross Normal Cost	Member Contributions	Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate[1]	Total Contribution Rate	Prior Year Total Contribution Rate
Plan 1								
Total	42.35%	(16.01)%	12.56%	13.78%	26.34%	46.48%	72.82%	75.49%
Plan 2								
Total	34.16%	(13.55)%	11.36%	9.25%	20.61%	46.48%	67.09%	69.99%
Plan 4								
Total	32.71%	(13.67)%	12.67%	6.37%	19.04%	46.48%	65.52%	68.83%
Plan 5								
Total	33.07%	(16.61)%	10.21%	6.25%	16.46%	46.48%	62.94%	66.40%
Plan 6								
Total	33.45%	(14.51)%	12.58%	6.36%	18.94%	46.48%	65.42%	68.59%
Plan 7								
Total	29.28%	(14.64)%	9.12%	5.52%	14.64%	46.48%	61.12%	64.64%
All Plans								
Total	32.96%	(13.97)%	11.96%	7.03%	18.99%	46.48%	65.47%	68.84%

[1] *UAAL Contribution Rate includes an offset of 2.02% of payroll to reflect the County Supplemental Contribution Account.*

Exhibit 10e: Employer Statutory Contribution Rates – Probation Members June 30, 2014

Probation Members									
			Employer Rates						
	Gross Normal Cost	Member Contributions	Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate[1]	Total Contribution Rate	Prior Year Total Contribution Rate
Plan 1								
PDA Members	34.55%	(3.50)%	15.00%	16.05%	31.05%	28.09%	59.14%	59.52%
Managers	34.55%	(11.71)%	11.03%	11.81%	22.84%	28.09%	50.93%	50.91%
Total	34.55%	(3.50)%	15.00%	16.05%	31.05%	28.09%	59.14%	59.52%
Plan 2								
PDA Members	33.65%	(13.17)%	11.58%	8.90%	20.48%	28.09%	48.57%	49.18%
Managers	33.65%	(11.71)%	12.40%	9.54%	21.94%	28.09%	50.03%	49.84%
Total	33.65%	(12.76)%	11.81%	9.08%	20.89%	28.09%	48.98%	49.38%
Plan 4								
PDA Members	30.98%	(12.23)%	12.64%	6.11%	18.75%	28.09%	46.84%	47.30%
Managers	30.98%	(13.17)%	12.01%	5.80%	17.81%	28.09%	45.90%	46.19%
Total	30.98%	(12.34)%	12.57%	6.07%	18.64%	28.09%	46.73%	47.20%
Plan 5								
PDA Members	29.45%	(13.79)%	10.01%	5.65%	15.66%	28.09%	43.75%	43.11%
Managers	29.45%	(16.36)%	8.37%	4.72%	13.09%	28.09%	41.18%	40.64%
Total	29.45%	(13.79)%	10.01%	5.65%	15.66%	28.09%	43.75%	43.11%
Plan 6								
PDA Members	25.26%	(9.78)%	10.61%	4.87%	15.48%	28.09%	43.57%	44.04%
Managers	25.26%	(11.35)%	9.53%	4.87%	13.91%	28.09%	42.00%	41.44%
Total	25.26%	(9.78)%	10.61%	4.87%	15.48%	28.09%	43.57%	44.04%
Plan 7								
PDA Members	26.84%	(13.42)%	8.29%	5.13%	13.42%	28.09%	41.51%	43.12%
Managers	26.84%	(13.42)%	8.29%	5.13%	13.42%	28.09%	41.51%	43.12%
Total	26.84%	(13.42)%	8.29%	5.13%	13.42%	28.09%	41.51%	43.12%
All Plans								
PDA Members	31.38%	(12.46)%	12.20%	6.72%	18.92%	28.09%	47.01%	47.65%
Managers	31.38%	(12.59)%	12.12%	6.67%	18.79%	28.09%	46.88%	47.17%
Total	31.38%	(12.48)%	12.19%	6.71%	18.90%	28.09%	46.99%	47.58%

[1] *UAAL Contribution Rate includes an offset of 1.24% of payroll to reflect the County Supplemental Contribution Account.*

Exhibit 11a: Employer Adjusted Contribution Rates – All Plans June 30, 2014

All Plans

	Gross Normal Cost	Member Contributions	Employer Rates: Basic Normal Cost	Employer Rates: COLA Normal Cost	Employer Rates: Total Normal Cost	Employer Rates: UAAL Contribution Rate	Employer Rates: Total Contribution Rate	Employer Rates: Prior Year Total Contribution Rate
General Members								
County	19.99%	(9.83)%	6.41%	3.75%	10.16%	22.07%	32.23%	32.26%
Courts	19.99%	(10.42)%	6.04%	3.53%	9.57%	21.16%	30.73%	32.09%
CNA	19.99%	(10.85)%	5.77%	3.37%	9.14%	22.07%	31.21%	31.44%
UAPD	19.99%	(10.85)%	5.77%	3.37%	9.14%	22.07%	31.21%	31.44%
Total	19.99%	(9.98)%	6.32%	3.69%	10.01%	22.02%	32.03%	32.12%
SMCM&VCD Members								
Total	18.97%	(7.25)%	8.30%	3.42%	11.72%	21.16%	32.88%	34.05%
Safety Members								
Total	32.96%	(13.97)%	11.96%	7.03%	18.99%	50.76%	69.75%	69.20%
Probation Members								
PDA	31.38%	(12.46)%	12.20%	6.72%	18.92%	30.68%	49.60%	47.91%
Managers	31.38%	(12.59)%	12.12%	6.67%	18.79%	30.68%	49.47%	47.43%
Total	31.38%	(12.48)%	12.19%	6.71%	18.90%	30.68%	49.58%	47.84%
All Plans								
Total	22.22%	(10.60)%	7.36%	4.26%	11.62%	26.05%	37.67%	37.71%
County Only								
Total	22.33%	(10.62)%	7.42%	4.29%	11.71%	26.29%	38.00%	38.00%

Exhibit 11b: Employer Adjusted Contribution Rates – General Members June 30, 2014

General Members

	Gross Normal Cost	Member Contributions	Employer Rates: Basic Normal Cost	Employer Rates: COLA Normal Cost	Employer Rates: Total Normal Cost	Employer Rates: UAAL Contribution Rate	Employer Rates: Total Contribution Rate	Employer Rates: Prior Year Total Contribution Rate
Plan 1								
County	21.53%	(9.80)%	5.88%	5.85%	11.73%	22.07%	33.80%	33.77%
Courts	21.53%	(9.96)%	5.80%	5.77%	11.57%	21.16%	32.73%	33.60%
CNA	21.53%	(14.39)%	3.58%	3.56%	7.14%	22.07%	29.21%	32.33%
UAPD	21.53%	(14.39)%	3.58%	3.56%	7.14%	22.07%	29.21%	32.33%
Total	21.53%	(10.24)%	5.66%	5.63%	11.29%	22.03%	33.32%	33.60%
Plan 2								
County	21.27%	(10.34)%	5.86%	5.07%	10.93%	22.07%	33.00%	33.04%
Courts	21.27%	(10.14)%	5.96%	5.17%	11.13%	21.16%	32.29%	32.87%
CNA	21.27%	(11.88)%	5.03%	4.36%	9.39%	22.07%	31.46%	31.87%
UAPD	21.27%	(11.88)%	5.03%	4.36%	9.39%	22.07%	31.46%	31.87%
Total	21.27%	(10.52)%	5.76%	4.99%	10.75%	22.02%	32.77%	32.86%
Plan 3								
County	8.08%	0.00%	8.08%	0.00%	8.08%	22.07%	30.15%	30.35%
Courts	8.08%	0.00%	8.08%	0.00%	8.08%	21.16%	29.24%	30.18%
CNA	8.08%	0.00%	8.08%	0.00%	8.08%	22.07%	30.15%	30.35%
UAPD	8.08%	0.00%	8.08%	0.00%	8.08%	22.07%	30.15%	30.35%
Total	8.08%	0.00%	8.08%	0.00%	8.08%	22.05%	30.13%	30.34%
Plan 4								
County	20.85%	(10.55)%	6.76%	3.54%	10.30%	22.07%	32.37%	32.25%
Courts	20.85%	(10.69)%	6.67%	3.49%	10.16%	21.16%	31.32%	32.08%
CNA	20.85%	(11.84)%	5.92%	3.09%	9.01%	22.07%	31.08%	31.43%
UAPD	20.85%	(11.84)%	5.92%	3.09%	9.01%	22.07%	31.08%	31.43%
Total	20.85%	(10.69)%	6.67%	3.49%	10.16%	22.01%	32.17%	32.11%
Plan 5								
County	18.02%	(8.22)%	6.78%	3.00%	9.80%	22.07%	31.87%	31.60%
Courts	18.02%	(9.26)%	6.06%	3.00%	8.76%	21.16%	29.92%	31.43%
CNA	18.02%	(8.48)%	6.60%	3.00%	9.54%	22.07%	31.61%	31.60%
UAPD	18.02%	(8.48)%	6.60%	3.00%	9.54%	22.07%	31.61%	31.60%
Total	18.02%	(8.28)%	6.74%	3.00%	9.74%	22.05%	31.79%	31.59%
Plan 7								
County	15.83%	(7.92)%	5.28%	2.63%	7.91%	22.07%	29.98%	30.09%
Courts	15.83%	(7.92)%	5.28%	2.63%	7.91%	21.16%	29.07%	29.92%
CNA	15.83%	(7.92)%	5.28%	2.63%	7.91%	22.07%	29.98%	30.09%
UAPD	15.83%	(7.92)%	5.28%	2.63%	7.91%	22.07%	29.98%	30.09%
Total	15.83%	(7.92)%	5.28%	2.63%	7.91%	22.07%	29.98%	30.08%
All Plans								
County	19.99%	(9.83)%	6.41%	3.75%	10.16%	22.07%	32.23%	32.26%
Courts	19.99%	(10.42)%	6.04%	3.53%	9.57%	21.16%	30.73%	32.09%
CNA	19.99%	(10.85)%	5.77%	3.37%	9.14%	22.07%	31.21%	31.44%
UAPD	19.99%	(10.85)%	5.77%	3.37%	9.14%	22.07%	31.21%	31.44%
Total	19.99%	(9.98)%	6.32%	3.69%	10.01%	22.02%	32.03%	32.12%

Exhibit 11c: Employer Adjusted Contribution Rates – SMCM & VCD Members
June 30, 2014

SMCM&VCD Members

			Employer Rates					
	Gross Normal Cost	Member Contributions	Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate	Total Contribution Rate	Prior Year Total Contribution Rate
Plan 1								
Total	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan 2								
Total	27.23%	(8.99)%	11.75%	6.49%	18.24%	21.16%	39.40%	40.04%
Plan 4								
Total	18.94%	(7.18)%	8.50%	3.26%	11.76%	21.16%	32.92%	33.40%
Plan 7								
Total	13.01%	(6.51)%	4.29%	2.21%	6.50%	21.16%	27.66%	30.42%
All Plans								
Total	18.97%	(7.25)%	8.30%	3.42%	11.72%	21.16%	32.88%	34.05%

Exhibit 11d: Employer Adjusted Contribution Rates – Safety Members
June 30, 2014

Safety Members

	Gross Normal Cost	Member Contributions	Employer Rates: Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate	Total Contribution Rate	Prior Year Total Contribution Rate
Plan 1								
Total	42.35%	(16.01)%	12.56%	13.78%	26.34%	50.76%	77.10%	75.86%
Plan 2								
Total	34.16%	(13.55)%	11.36%	9.25%	20.61%	50.76%	71.37%	70.36%
Plan 4								
Total	32.71%	(13.67)%	12.67%	6.37%	19.04%	50.76%	69.80%	69.20%
Plan 5								
Total	33.07%	(16.61)%	10.21%	6.25%	16.46%	50.76%	67.22%	66.77%
Plan 6								
Total	33.45%	(14.51)%	12.58%	6.36%	18.94%	50.76%	69.70%	68.96%
Plan 7								
Total	29.28%	(14.64)%	9.12%	5.52%	14.64%	50.76%	65.40%	64.98%
All Plans								
Total	32.96%	(13.97)%	11.96%	7.03%	18.99%	50.76%	69.75%	69.20%

Exhibit 11e: Employer Adjusted Contribution Rates – Probation Members June 30, 2014

Probation Members

	Gross Normal Cost	Member Contributions	Employer Rates: Basic Normal Cost	Employer Rates: COLA Normal Cost	Employer Rates: Total Normal Cost	Employer Rates: UAAL Contribution Rate	Employer Rates: Total Contribution Rate	Employer Rates: Prior Year Total Contribution Rate
Plan 1								
PDA Members	34.55%	(3.50)%	15.00%	16.05%	31.05%	30.68%	61.73%	59.78%
Managers	34.55%	(11.71)%	11.03%	11.81%	22.84%	30.68%	53.52%	51.17%
Total	34.55%	(3.50)%	15.00%	16.05%	31.05%	30.68%	61.73%	59.78%
Plan 2								
PDA Members	33.65%	(13.17)%	11.58%	8.90%	20.48%	30.68%	51.16%	49.44%
Managers	33.65%	(11.71)%	12.40%	9.54%	21.94%	30.68%	52.62%	50.10%
Total	33.65%	(12.76)%	11.81%	9.08%	20.89%	30.68%	51.57%	49.64%
Plan 4								
PDA Members	30.98%	(12.23)%	12.64%	6.11%	18.75%	30.68%	49.43%	47.56%
Managers	30.98%	(13.17)%	12.01%	5.80%	17.81%	30.68%	48.49%	46.45%
Total	30.98%	(12.34)%	12.57%	6.07%	18.64%	30.68%	49.32%	47.45%
Plan 5								
PDA Members	29.45%	(13.79)%	10.01%	5.65%	15.66%	30.68%	46.34%	43.37%
Managers	29.45%	(16.36)%	8.37%	4.72%	13.09%	30.68%	43.77%	40.90%
Total	29.45%	(13.79)%	10.01%	5.65%	15.66%	30.68%	46.34%	43.37%
Plan 6								
PDA Members	25.26%	(9.78)%	10.61%	4.87%	15.48%	30.68%	46.16%	44.30%
Managers	25.26%	(11.35)%	9.53%	4.87%	13.91%	30.68%	44.59%	41.70%
Total	25.26%	(9.78)%	10.61%	4.87%	15.48%	30.68%	46.16%	44.30%
Plan 7								
PDA Members	26.84%	(13.42)%	8.29%	5.13%	13.42%	30.68%	44.10%	43.35%
Managers	26.84%	(13.42)%	8.29%	5.13%	13.42%	30.68%	44.10%	43.35%
Total	26.84%	(13.42)%	8.29%	5.13%	13.42%	30.68%	44.10%	43.35%
All Plans								
PDA Members	31.38%	(12.46)%	12.20%	6.72%	18.92%	30.68%	49.60%	49.71%
Managers	31.38%	(12.59)%	12.12%	6.67%	18.79%	30.68%	49.47%	47.43%
Total	31.38%	(12.48)%	12.19%	6.71%	18.90%	30.68%	49.58%	47.84%

Exhibit 12a: Calculated Gross Normal Cost Rates

All Plans

	Normal Cost					
Plan	**Service Retirement**	**Disability Retirement**	**Death while Active**	**Termination (No Refund)**	**Termination (Refund)**	**Total Gross Normal Cost**
General Plan 1	15.55%	1.80%	0.43%	2.12%	1.63%	**21.53%**
General Plan 2	15.55%	1.83%	0.41%	1.88%	1.60%	**21.27%**
General Plan 3	7.56%	0.00%	0.00%	0.52%	0.00%	**8.08%**
General Plan 4	15.33%	1.90%	0.38%	1.62%	1.62%	**20.85%**
General Plan 5	13.20%	1.91%	0.36%	1.26%	1.29%	**18.02%**
General Plan 7	11.58%	1.81%	0.31%	0.90%	1.23%	**15.83%**
General Total	14.71%	1.83%	0.37%	1.56%	1.52%	**19.99%**
SMCM&VCD Plan 1	N/A	N/A	N/A	N/A	N/A	**N/A**
SMCM&VCD Plan 2	21.65%	2.06%	0.63%	1.63%	1.26%	**27.23%**
SMCM&VCD Plan 4	14.17%	1.67%	0.38%	1.60%	1.12%	**18.94%**
SMCM&VCD Plan 7	9.06%	1.25%	0.35%	1.27%	1.08%	**13.01%**
SMCM&VCD Total	14.23%	1.65%	0.40%	1.56%	1.13%	**18.97%**
Safety Plan 1	33.40%	4.22%	1.51%	2.20%	1.02%	**42.35%**
Safety Plan 2	26.76%	3.40%	1.38%	1.93%	0.69%	**34.16%**
Safety Plan 4	25.59%	3.54%	1.17%	1.66%	0.75%	**32.71%**
Safety Plan 5	25.63%	4.04%	1.17%	1.25%	0.98%	**33.07%**
Safety Plan 6	26.34%	4.40%	1.11%	0.80%	0.80%	**33.45%**
Safety Plan 7	22.19%	4.42%	1.07%	0.73%	0.87%	**29.28%**
Safety Total	25.72%	3.60%	1.22%	1.65%	0.77%	**32.96%**
Probation Plan 1	29.30%	2.18%	1.06%	1.51%	0.50%	**34.55%**
Probation Plan 2	26.47%	3.33%	1.24%	1.95%	0.66%	**33.65%**
Probation Plan 4	24.38%	3.08%	1.07%	1.78%	0.67%	**30.98%**
Probation Plan 5	23.15%	3.20%	1.09%	1.29%	0.72%	**29.45%**
Probation Plan 6	19.29%	3.06%	1.05%	1.34%	0.52%	**25.26%**
Probation Plan 7	20.73%	3.47%	1.01%	0.93%	0.70%	**26.84%**
Probation Total	24.67%	3.15%	1.11%	1.78%	0.67%	**31.38%**
All Plans	16.62%	2.12%	0.52%	1.58%	1.38%	**22.22%**

San Mateo County Employees' Retirement Association

Exhibit 12b: Unfunded Actuarial Accrued Liability Detail

(Dollars in Thousands)

General

Date Established	Description[4]	Balance as of June 30, 2014	Interest on Balance	Amort. Payment on June 30, 2015 [1]	Balance as of June 30, 2015 [2]	Remaining Period as of June 30, 2015	July 1, 2015 Amortization Payment
June 30, 2008	Initial UAAL	$ 335,973	$ 24,358	$ 46,061	$ 314,270	8 Years	$ 45,208
June 30, 2009	(Gain) / Loss	$ 327,127	$ 23,717	$ 41,045	$ 309,799	9 Years	$ 40,289
June 30, 2010	(Gain) / Loss	$ (122,357)	$ (8,871)	$ (14,190)	$ (117,038)	10 Years	$ (13,930)
June 30, 2011	(Gain) / Loss	$ (36,914)	$ (2,676)	$ (3,991)	$ (35,599)	11 Years	$ (3,917)
June 30, 2012	(Gain) / Loss	$ 114,541	$ 8,304	$ 11,617	$ 111,228	12 Years	$ 11,406
June 30, 2013	(Gain) / Loss	$ 21,601	$ 1,566	$ 2,068	$ 21,099	13 Years	$ 2,030
June 30, 2014	(Gain) / Loss	$ (42,958)	$ (3,114)	$ (1,236) [3]	$ (44,836)	14 Years	$ (4,072)

Total Amortization Payment July 1, 2015: $ 77,013

Projected Payroll July 1, 2015: $ 363,896

UAAL as of June 30, 2014: $ 597,013

UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2015: 21.16%

Safety

Date Established	Description[4]	Balance as of June 30, 2014	Interest on Balance	Amort. Payment on June 30, 2015 [1]	Balance as of June 30, 2015 [2]	Remaining Period as of June 30, 2015	July 1, 2015 Amortization Payment
June 30, 2008	Initial UAAL	$ 122,603	$ 8,889	$ 16,808	$ 114,684	8 Years	$ 16,498
June 30, 2009	(Gain) / Loss	$ 119,970	$ 8,698	$ 15,053	$ 113,615	9 Years	$ 14,775
June 30, 2010	(Gain) / Loss	$ (45,770)	$ (3,318)	$ (5,308)	$ (43,780)	10 Years	$ (5,211)
June 30, 2011	(Gain) / Loss	$ (17,121)	$ (1,241)	$ (1,851)	$ (16,511)	11 Years	$ (1,817)
June 30, 2012	(Gain) / Loss	$ 34,055	$ 2,469	$ 3,454	$ 33,070	12 Years	$ 3,391
June 30, 2013	(Gain) / Loss	$ 6,316	$ 458	$ 604	$ 6,170	13 Years	$ 594
June 30, 2014	(Gain) / Loss	$ (17,734)	$ (1,286)	$ (979) [3]	$ (18,041)	14 Years	$ (1,639)

Total Amortization Payment July 1, 2015: $ 26,591

Projected Payroll July 1, 2015: $ 54,829

UAAL as of June 30, 2014: $ 202,319

UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2015: 48.50%

Probation

Date Established	Description[4]	Balance as of June 30, 2014	Interest on Balance	Amort. Payment on June 30, 2015 [1]	Balance as of June 30, 2015 [2]	Remaining Period as of June 30, 2015	July 1, 2015 Amortization Payment
June 30, 2008	Initial UAAL	$ 30,718	$ 2,227	$ 4,211	$ 28,734	8 Years	$ 4,133
June 30, 2009	(Gain) / Loss	$ 30,195	$ 2,189	$ 3,789	$ 28,595	9 Years	$ 3,719
June 30, 2010	(Gain) / Loss	$ (11,171)	$ (810)	$ (1,295)	$ (10,686)	10 Years	$ (1,272)
June 30, 2011	(Gain) / Loss	$ (3,928)	$ (285)	$ (425)	$ (3,788)	11 Years	$ (417)
June 30, 2012	(Gain) / Loss	$ 11,484	$ 833	$ 1,165	$ 11,152	12 Years	$ 1,143
June 30, 2013	(Gain) / Loss	$ 1,612	$ 117	$ 154	$ 1,575	13 Years	$ 152
June 30, 2014	(Gain) / Loss	$ (3,881)	$ (281)	$ (516) [3]	$ (3,646)	14 Years	$ (331)

Total Amortization Payment July 1, 2015: $ 7,127

Projected Payroll July 1, 2015: $ 24,300

UAAL as of June 30, 2014: $ 55,029

UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2015: 29.33%

Explanatory Notes:

1 *Amortization Payments are based on a fixed schedule that increases by the payroll assumption each year.*

2 *The calculation of assets and liabilities used in the calculation of UAAL are as of June 30, 2014; whereas, the contribution rates are not effective until July 1, 2015. Therefore, the UAAL is adjusted to June 30, 2015 in the calculation of contribution rates.*

3 *The 15-year amortization of UAAL does not begin until July 1, 2015; however, the UAAL amount is adjusted based on the July 1, 2014 contribution rate.*

4 *(Gain)/Loss includes the following:*

- *new assumptions adopted effective June 30, 2011 based on the Investigation of Experience report*
- *new economic assumptions effective June 30, 2012*
- *new assumptions adopted effective June 30, 2014 based on the Investigation of Experience report*

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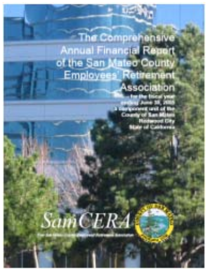
Section 7: Information for Comprehensive Annual Financial Report (CAFR)



The Governmental Accounting Standards Board (GASB) sets standards for defined benefit pension plan reporting and disclosures (Statement No. 67). The reporting requirements for GASB 67 include certain supplementary information that must be added to the financial statements and will be provided in a separate report.

GASB Statement No. 68 specifies financial reporting for pension accounting by state and local governmental employers and will also be provided separately next year.

The methods and assumptions used for GASB reporting will be described in detail in those separate reports. The effective date for GASB 67 is for periods beginning after June 15, 2013 and the effective date for GASB 68 is for periods beginning after June 15, 2014.

We are providing several exhibits in this report for consistency with prior reports and as supporting information for inclusion in SamCERA's CAFR.

- Exhibit 13 – Schedule of Funding Progress
- Exhibit 14 – Solvency Test
- Exhibit 15 – History of employer contribution rates.
- Exhibit 16 – Actuarial analysis of financial experience.
- Exhibit 17 – Summary of significant actuarial statistics and measurements.
- Exhibit 18 – Summary of SamCERA membership. For more detailed information on the valuation data, see Appendix C.
- Exhibit 19 – Summary of active member valuation data.
- Exhibit 20 – Summary of demographic activity of retirees and beneficiaries.
- Exhibit 21 – Average salary and active counts by employer.
- Exhibit 22 – Summary of retired and inactive benefits.

Additional CAAP Disclosure

The California Actuarial Advisory Panel (CAAP) has adopted a set of model disclosure elements for actuarial valuation reports of public retirement systems in California. Most of these elements are included in other areas of this report. The remaining CAAP-recommended disclosures are as follows:

Disclosure Element	Description	Value
Gross Normal Cost $	Normal Cost allocated to valuation year, paid at mid-year.	$ 96,761,149
Statutory Contribution $	Expected Statutory Contribution paid at mid-year.	$ 154,852,676
Asset Smoothing Ratio	Actuarial Value of Assets divided by Market Value of Assets	90.9%
Asset Volatility Ratio	Market Value of Assets divided by Payroll	7.6
Liability Volatility Ratio	Actuarial Accrued Liability divided by Payroll	8.7

San Mateo County Employees' Retirement Association

Exhibit 13: Schedule of Funding Progress

(Dollars in Thousands)

Actuarial Valuation Date	(a) Actuarial Value of Valuation Assets	(b) Actuarial Accrued Liabilities	(b-a) Unfunded Actuarial Accrued Liabilities (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
June 30, 2005	$ 1,615,585	$ 2,177,759	$ 562,174	74.2%	$ 334,315	168.16%
June 30, 2006	1,769,021	2,345,149	576,128	75.4%	368,972	156.14%
June 30, 2007	1,976,731	2,555,504	578,773	77.4%	407,912	141.92%
June 30, 2008	2,218,937	2,806,222	587,285	79.1%	416,243	141.09%
June 30, 2009	1,909,679	2,987,712	1,078,033	63.9%	436,424	247.02%
June 30, 2010	2,179,076	3,098,453	919,377	70.3%	428,559	214.53%
June 30, 2011	2,405,140	3,246,727	841,587	74.1%	424,061	198.46%
June 30, 2012	2,480,271	3,442,553	926,282	72.0%	419,779	229.24%
June 30, 2013	2,618,639	3,572,750	954,111	73.3%	406,921	234.47%
June 30, 2014	2,993,187	3,797,042	803,855	78.8%	422,022	190.48%

Exhibit 14: Solvency Test

(Dollars in Thousands)

		Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
Actuarial Valuation Date	Valuation Assets	Active Member Contributions (A)	Retirees and Beneficiaries[1] (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
June 30, 2005	$ 1,615,585	$ 281,231	$ 1,133,351	$ 763,177	100%	100%	26%
June 30, 2006	1,769,021	317,521	1,234,005	793,623	100%	100%	27%
June 30, 2007	1,976,731	359,484	1,348,013	848,007	100%	100%	32%
June 30, 2008	2,218,937	385,300	1,550,875	870,047	100%	100%	32%
June 30, 2009	1,909,679	412,147	1,670,547	905,018	100%	90%	0%
June 30, 2010	2,179,076	449,355	1,745,146	903,952	100%	99%	0%
June 30, 2011	2,405,140	485,126	1,866,219	895,382	100%	100%	6%
June 30, 2012	2,480,271	498,569	2,022,791	921,193	100%	98%	0%
June 30, 2013	2,618,639	534,276	2,157,590	880,884	100%	97%	0%
June 30, 2014	2,993,187	584,080	2,285,328	927,634	100%	100%	13%

(1) *Includes deferred vested*

Exhibit 15: History of Employer Statutory Contribution Rates

(Dollars in Thousands)

Statutory Contribution Rates[4]									
Valuation	General Members (County & Courts)			General Members (Nurses & UAPD)[2]			General Members (SMCM&VCD)[1]		
Year	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2005	10.36%	10.38%	20.74%	Same as County General			Same as County General		
2006	10.49%	9.97%	20.46%	Same as County General			Same as County General		
2007	10.19%	9.46%	19.65%	Same as County General			8.50%	7.76%	16.26%
2008	10.16%	9.81%	19.97%	Same as County General			8.55%	8.04%	16.59%
2009	10.11%	18.40%	28.51%	Same as County General			8.25%	15.09%	23.34%
2010	10.05%	16.35%	26.40%	Same as County General			11.70%	16.35%	28.05%
2011	9.71%	16.41%	26.12%	8.70%	16.41%	25.11%	11.97%	16.41%	28.38%
2012	9.98%	20.17%	30.15%	8.96%	20.17%	29.13%	11.68%	20.17%	31.85%
2013	9.74%	22.35%	32.09%	8.92%	22.35%	31.27%	11.70%	22.35%	34.05%
2014	10.12%	20.27%	30.39%	9.14%	20.21%	29.35%	11.72%	21.16%	32.88%

Statutory Contribution Rates[4]									
Valuation	Safety Member			Probation Members (excluding Managers)[3]			Probation Members (Managers)		
Year	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2005	20.43%	32.02%	52.45%	21.10%	16.43%	37.53%	Same as Probation (ex Managers)		
2006	20.18%	30.52%	50.70%	21.59%	14.85%	36.44%	Same as Probation (ex Managers)		
2007	19.94%	29.32%	49.26%	20.83%	14.06%	34.89%	Same as Probation (ex Managers)		
2008	19.32%	27.31%	46.63%	20.05%	12.81%	32.86%	Same as Probation (ex Managers)		
2009	19.21%	51.83%	71.04%	19.92%	23.84%	43.76%	Same as Probation (ex Managers)		
2010	19.01%	44.50%	63.51%	19.85%	21.62%	41.47%	Same as Probation (ex Managers)		
2011	18.87%	41.75%	60.62%	19.50%	22.30%	41.80%	Same as Probation (ex Managers)		
2012	19.05%	48.51%	67.56%	19.99%	26.71%	46.70%	Same as Probation (ex Managers)		
2013	18.51%	50.33%	68.84%	18.33%	29.32%	47.65%	17.85%	29.32%	47.17%
2014	18.99%	46.48%	65.47%	18.92%	28.09%	47.01%	18.79%	28.09%	46.88%

(1) Beginning with the 2010 actuarial valuation, the Mosquito and Vector Control District adopted the same benefit formula and member contribution rates as Plan 1, 2 & 4 General County members (excluding cost sharing on member rates).

(2) Beginning with the 2011 actuarial valuation, Plan 1, 2, and 4 members of the California Nurses Association contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.

Beginning with the 2013 actuarial valuation, Plan 1, 2, and 4 members of the Union of American Physicians and Dentists contribute 25% of the cost of COLA, in addition to current member rates and cost sharing. In 2011 and 2012 these members contributed the same as County General members.

(3) Beginning with the 2012 actuarial valuation, Plan 1, 2, and 4 Probation members (excluding Managers) contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.

(4) Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.

Exhibit 16: Actuarial Analysis of Financial Experience

Summary of (Gains) / Losses	Change In Liability				
	2014	2013	2012	2011	2010
Unfunded Liability as of July 1	$ 954,111,000	$ 962,282,000	$ 841,587,000	$ 919,377,000	$ 1,078,033,000
Expected Change in UAAL	(88,525,000)	(34,535,000)	(39,621,000)	(31,508,000)	27,388,000
Salary (Gain) / Loss	(15,884,000)	(59,411,000)	(45,526,000)	(51,831,000)	(43,598,000)
Fewer Withdrawals than expected	0	0	0	0	0
Retiree COLA more / (less) than expected	(15,603,000)	(8,606,000)	(11,756,000)	(27,561,000)	(41,258,000)
Asset (Gain) / Loss	(88,035,000)	93,999,000	171,268,000	12,548,000	(88,485,000)
Change due to Assumption Changes	59,345,000	0	36,443,000	19,402,000	0
Miscellaneous Experience	(1,554,000)	382,000	9,887,000	1,160,000	(12,703,000)
Change Due to New Formula					
Unfunded Liability as of June 30	$ 803,855,000	$ 954,111,000	$ 962,282,000	$ 841,587,000	$ 919,377,000

Exhibit 17: Summary of Significant Actuarial Statistics and Measures

		June 30th of		Relative
		2014	2013	Change
1.	Active Members			
	Number of Members	5,004	4,917	1.8 %
	Average Age	45.8	46.0	(0.4)%
	Average Credited Service	11.2	11.2	-
	Total Active Payroll ($thousands)	$ 429,407	$ 414,551	3.6 %
	Average Monthly Salary	$ 7,151	$ 7,026	1.8 %
2.	Retired Members			
	Number of Members			
	Service Retirement	3,525	3,446	2.3 %
	Disability Retirement	428	393	8.9 %
	Beneficiaries	565	559	1.1 %
	Average Age	71.3	71.3	-
	Actual Retiree Benefits Paid ($thousands)	$ 159,342	$ 149,266	6.8 %
	Average Monthly Pension	$ 3,021	$ 2,933	3.0 %
3.	Number of Inactive Vested Members	1,304	1,306	(0.2)%
4.	Assets			
	Market Value of Fund ($thousands)	$ 3,291,694	$ 2,727,825	20.7 %
	Return on Market Value	17.3%	13.6%	
	Valuation Assets ($thousands)	$ 2,993,187	$ 2,618,639	14.3 %
	Return on Valuation Assets	10.8%	3.7%	
5.	Liability Values ($thousands)			
	Actuarial Accrued Liability	$ 3,797,042	$ 3,572,750	6.3 %
	Unfunded Actuarial Accrued Liability	$ 803,855	$ 954,111	(15.7)%
	Deferred Asset (Gains) / Losses	$ (298,507)	$ (109,187)	
6.	Funded Ratio			
	(based on valuation assets)	78.8%	73.3%	7.6 %

Exhibit 18: Summary of SamCERA Membership

Plan	One	Two	Three	Four	Five	Six	Seven	Total
Retirees and beneficiaries currently receiving benefits:								
General	1,780	1,629	125	393	-	-	-	3,927
Safety	277	146	-	27	-	-	-	450
Probation	71	56	-	14	-	-	-	141
Subotal	2,128	1,831	125	434	-	-	-	4,518
Terminated employees entitled to but not currently receiving benefits (Deferred):								
General	16	411	96	639	11	-	8	1,181
Safety	1	28	-	44	3	-	-	76
Probation	-	13	-	32	2	-	-	47
Subotal	17	452	96	715	16	-	8	1,304
Current employees:								
Vested:								
General	30	861	86	2,260	2	-	2	3,241
Safety	3	98	-	231	-	-	-	332
Probation	1	57	-	199	-	-	-	257
Non-Vested:								
General	-	2	31	249	264	-	485	1,031
Safety	-	-	-	49	45	1	25	120
Probation	-	-	-	3	6	2	12	23
Subotal	34	1,018	117	2,991	317	3	524	5,004
Total SamCERA Membership	2,179	3,301	338	4,140	333	3	532	10,826

Exhibit 19: Summary of Active Member Valuation Data

Valuation Date		Members	Annual Salary	Average Annual Salary	% Change Average Salary
2005	General	4,411	$304,289,437	$68,984	1.8%
	Safety	409	$39,999,593	$97,799	-1.4%
	Probation	278	$20,123,863	$72,388	0.2%
	Total	5,098	$364,412,893	$71,482	1.4%
2006*	General	4,614	$312,934,324	$67,823	-1.7%
	Safety	428	$41,407,772	$96,747	-1.1%
	Probation	313	$22,009,210	$70,317	-1.6%
	Total	5,355	$376,351,306	$70,280	-1.7%
2007	General	4,767	$346,319,017	$72,649	7.1%
	Safety	443	$45,386,411	$102,452	5.9%
	Probation	329	$24,364,268	$74,056	5.3%
	Total	5,539	$416,069,696	$75,116	6.9%
2008	General	4,743	$353,518,525	$74,535	2.6%
	Safety	432	$46,326,906	$107,238	4.7%
	Probation	325	$24,741,003	$76,126	2.8%
	Total	5,500	$424,586,434	$77,198	2.8%
2009	General	4,777	$370,760,830	$77,614	4.1%
	Safety	436	$48,120,081	$110,367	2.9%
	Probation	330	$26,270,802	$79,608	4.6%
	Total	5,543	$445,151,713	$80,309	4.0%
2010	General	4,609	$363,305,740	$78,825	1.6%
	Safety	425	$48,576,912	$114,299	3.6%
	Probation	313	$25,247,595	$80,663	1.3%
	Total	5,347	$437,130,248	$81,752	1.8%
2011	General	4,494	$355,876,715	$79,189	0.5%
	Safety	446	$52,073,940	$116,758	2.2%
	Probation	305	$24,591,392	$80,628	0.0%
	Total	5,245	$432,542,046	$82,468	0.9%
2012	General	4,361	$351,965,689	$80,708	1.9%
	Safety	435	$51,129,267	$117,539	0.7%
	Probation	299	$24,554,583	$82,122	1.9%
	Total	5,095	$427,649,539	$83,935	1.8%
2013	General	4,173	$338,595,633	$81,140	2.5%
	Safety	452	$52,233,510	$115,561	-1.0%
	Probation	292	$23,722,165	$81,240	0.8%
	Total	4,917	$414,551,308	$84,310	2.2%
2014	General	4,272	$352,918,558	$82,612	1.8%
	Safety	452	$52,974,475	$117,200	1.4%
	Probation	280	$23,514,343	$83,980	3.4%
	Total	5,004	$429,407,375	$85,813	1.8%

**Numbers prior to 2006 were reported on a different basis.*

San Mateo County Employees' Retirement Association

Exhibit 20: Summary of Demographic Activity of Retirees and Beneficiaries

	Added to Rolls[1]		Removed from Rolls		Rolls end of year			
Year Ended	No.	Annual Allowances in Thousands	No.	Annual Allowances in Thousands	No.[2]	Total Retiree Payroll in Thousands	% Increase in Payroll	Average Monthly Allowances
June 30, 2005	238	N/A	95	N/A	3,682	84,183	11.5	1,905
June 30, 2006	206	N/A	112	N/A	3,613	91,006	8.1	2,099
June 30, 2007	155	N/A	74	N/A	3,694	98,790	8.6	2,229
June 30, 2008	218	N/A	70	N/A	3,842	109,616	11.0	2,378
June 30, 2009	159	12,717	66	3,281	3,935	119,052	8.6	2,521
June 30, 2010	163	9,076	96	3,240	4,002	124,888	4.9	2,601
June 30, 2011 [3]	209	12,703	64	2,916	4,147	134,675	7.8	2,706
June 30, 2012	218	14,379	90	4,209	4,275	144,845	7.6	2,823
June 30, 2013	186	13,024	63	3,095	4,398	154,774	6.9	2,933
June 30, 2014	203	12,474	83	3,479	4,518	163,769	5.8	3,021

[1] *Amount added to rolls includes COLAs granted in year to continuing retirees and beneficiaries.*

[2] *For 6/30/2005, retirees/beneficiaries who are entitled to multiple benefits are counted more than once. Starting 6/30/2006, the counts reflect only one benefit per retiree.*

[3] *Revised from June 30, 2011 valuation for corrections.*

Exhibit 21: Average Salary and Active Counts by Employer

Schedule of Average Monthly Salary of Active Members
(By Plan and Membership Type)

	2014	2013	2012	2011	2010
General Plan 1	$8,617	$8,104	$7,843	$7,630	$7,543
General Plan 2	$7,584	$7,355	$7,340	$7,208	$7,193
General Plan 3	$6,300	$6,254	$6,138	$5,968	$5,818
General Plan 4	$6,873	$6,662	$6,580	$6,398	$6,348
General Plan 5	$6,912	$6,418	$5,799	N/A	N/A
General Plan 7	$5,721	$5,433	N/A	N/A	N/A
General Plan Total	$6,884	$6,762	$6,726	$6,599	$6,569
Safety Plan 1	$14,091	$13,185	$12,624	$12,073	$11,578
Safety Plan 2	$11,191	$10,935	$10,892	$10,789	$10,548
Safety Plan 4	$9,581	$9,402	$9,351	$9,230	$8,931
Safety Plan 5	$8,958	$8,699	$9,667	N/A	N/A
Safety Plan 6	$14,381	$12,374	N/A	N/A	N/A
Safety Plan 7	$7,011	$6,695	N/A	N/A	N/A
Safety Plan Total	$9,767	$9,630	$9,795	$9,730	$9,525
Probation Plan 1	$6,874	$6,618	$6,618	$7,533	$8,922
Probation Plan 2	$7,699	$7,445	$7,454	$7,349	$7,393
Probation Plan 4	$6,922	$6,622	$6,686	$6,505	$6,456
Probation Plan 5	$5,916	$5,242	$4,949	N/A	N/A
Probation Plan 6	$5,216	$4,808	$5,239	N/A	N/A
Probation Plan 7	$5,807	$7,742	$5,239	N/A	N/A
Probation Plan Total	$6,998	$6,770	$6,844	$6,719	$6,722
Grand Total	$7,151	$7,026	$6,995	$6,872	$6,813

Participating Employers and Active Members

	2014	2013	2012	2011	2010
*County of San Mateo**					
General Members	4,014	3,906	4,078	4,476	4,589
Safety Members	452	452	435	446	425
Probation Members	280	292	299	305	313
Total	4,746	4,650	4,812	5,227	5,327
Mosquito and Vector					
General Members Total	19	18	15	18	20
*Courts**					
General Members Total	239	249	268	N/A	N/A
Total Active Membership	5,004	4,917	5,095	5,245	5,347

** Courts not split out for years prior to 2012. County of San Mateo counts exclude Courts in 2012 and later years.*

Exhibit 22: Summary of Retired and Inactive Benefits

Retired Members	2014	2013	2012	2011	2010
Service Retirement					
Number	3,525	3,446	3,355	3,242	3,108
Annual Allowance					
Basic Only	$ 105,556,000	$ 100,411,000	$ 94,234,000	$ 87,254,000	$ 79,007,000
COLA	$ 28,027,000	$ 26,594,000	$ 24,748,000	$ 23,212,000	$ 22,542,000
Total	$ 133,583,000	$ 127,005,000	$ 118,982,000	$ 110,466,000	$ 101,549,000
Average Monthly Payment	$ 3,158	$ 3,071	$ 2,955	$ 2,839	$ 2,723
Disability Retirement					
Number	428	393	374	370	365
Annual Allowance					
Basic Only	$ 12,508,000	$ 10,733,000	$ 9,909,000	$ 9,414,000	$ 8,988,000
COLA	$ 3,800,000	$ 3,564,000	$ 3,225,000	$ 3,005,000	$ 2,926,000
Total	$ 16,308,000	$ 14,297,000	$ 13,134,000	$ 12,419,000	$ 11,914,000
Average Monthly Payment	$ 3,175	$ 3,032	$ 2,927	$ 2,797	$ 2,720
Beneficiaries					
Number	565	559	546	535	529
Annual Allowance					
Basic Only	$ 7,986,000	$ 7,668,000	$ 7,235,000	$ 6,672,000	$ 6,309,000
COLA	$ 5,892,000	$ 5,804,000	$ 5,494,000	$ 5,118,000	$ 5,116,000
Total	$ 13,878,000	$ 13,472,000	$ 12,729,000	$ 11,790,000	$ 11,425,000
Average Monthly Payment	$ 2,047	$ 2,008	$ 1,943	$ 1,836	$ 1,800
Total Retired Members					
Number	4,518	4,398	4,275	4,147	4,002
Annual Allowance					
Basic Only	$ 126,050,000	$ 118,812,000	$ 111,378,000	$ 103,340,000	$ 94,304,000
COLA	$ 37,719,000	$ 35,962,000	$ 33,467,000	$ 31,335,000	$ 30,584,000
Total	$ 163,769,000	$ 154,774,000	$ 144,845,000	$ 134,675,000	$ 124,888,000
Average Monthly Payment	$ 3,021	$ 2,933	$ 2,823	$ 2,706	$ 2,601
Inactive Members	1,304	1,306	1,212	1,190	1,207

The data in the table above originates from PensionGold, SamCERA's retirement benefit administration system.

Appendix A: Actuarial Procedures and Assumptions

The actuarial procedures and assumptions to be used in the valuation are described in this section. The assumptions were reviewed and changed as a result of the 2014 Investigation of Experience Study. New assumptions were adopted for use in the 2014 valuation.

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of SamCERA and of SamCERA itself in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of SamCERA's benefits.

Table A-1 summarizes the assumptions. The mortality rates are taken from the sources listed.

Tables A-2 and A-3 show how members are expected to leave retired status due to death.

Table A-4 presents the probability of refund of contributions upon termination of employment while vested.

Table A-5 presents the expected annual percentage increase in salaries.

Tables A-6 to A-11 present the probabilities a member will leave the system for various reasons.

NOTE: Assumptions for Probation members are assumed to be the same as Safety members unless otherwise noted.

Actuarial Cost Method

The actuarial valuation is prepared using the entry age actuarial cost method (CERL 31453.5). Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age).

For members who transferred from Plan 3 to another General plan, entry age is based on the transfer date.

The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets, and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL as of June 30, 2008 is amortized as a level percentage of the projected salaries of present and future members of SamCERA over the remaining period from the valuation date to June 30, 2023. This is commonly referred to as a “closed amortization method”. Actuarial gains and losses after the June 30, 2008 valuation are amortized over new closed 15-year periods from their respective valuation dates.

Beginning with the June 30, 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District adopted the same “enhanced” benefit formula that applies to Plan 1, 2 & 4 County General members and the same member rates currently being paid by County General members from those plans. However, because the Mosquito and Vector Control District does not participate in cost sharing on the member rates, it will have a separate normal cost rate and expected member contribution rate from the County General group.

The normal cost rate is calculated separately for County General and for the Mosquito and Vector Control District. These normal cost rates will differ from each other for two reasons:

1) The demographics within the two groups will vary (specifically, the groups will have different average entry ages), and
2) The expected refund of contributions, which is a component of the normal cost, will differ between the County and the Mosquito and Vector Control District, since the District does not participate in cost sharing on the member rates.

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Records and Data

The data used in this valuation consist of financial information and the age, service, and income records for active and inactive members and their survivors. All of the data were supplied by SamCERA and are accepted for valuation purposes without audit.

Replacement of Terminated Members

The ages and relative salaries at entry of future members are assumed to follow a new entrant distribution based on the pattern of current members. Under this assumption, the normal cost rates for active members will remain fairly stable in future years unless there are changes in the governing law, the actuarial assumptions or the pattern of the new entrants.

Growth in Membership

For benefit determination purposes, no growth in the membership of SamCERA is assumed. For funding purposes, if amortization is required, the total payroll of covered members is assumed to grow due to the combined effects of future wage increases of current active members and the replacement of the current active members by new employees. No growth in the total number of active members is assumed.

Internal Revenue Code Section 415 Limit

The Internal Revenue Code Section 415 maximum benefit limitations are not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement.

Internal Revenue Code Section 401(a)(17)

The Internal Revenue Code Section 401(a)(17) maximum compensation limitation is not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement.

Employer Contributions

The employer contribution rate is set by the Retirement Board based on actuarial valuations.

Member Contributions

The member contribution rates vary by entry age (except for Plan 7) and are described in the law. Code references are shown in Appendix B of the valuation report. The methods and assumptions used are detailed later in this section.

The individual member rates by entry age, plan, and class are illustrated in Appendix D of the valuation report.

Valuation of Assets

The assets are valued using a five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value is the prior year's market value increased with the net increase in the cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption.

Investment Earnings and Expenses

The future investment earnings of the assets of SamCERA are assumed to accrue at an annual rate of 7.25% compounded annually, net of both investment and administrative expenses. This rate was adopted effective June 30, 2014.

Postretirement Benefit Increases

Postretirement increases are described in Appendix B. Assumed increases for valuation purposes are:

	General	Safety	Probation
Plan 1	3.00%	3.00%	2.90%
Plan 2	2.65%	2.65%	2.65%
Plan 3	0.00%	N/A	N/A
Plans 4, 5 & 7	1.90%	1.90%	1.90%
Plan 6	N/A	1.90%	1.90%

Assumed Plan 1 General and Safety COLAs are set at the inflation (CPI) assumption of 3.00% per year. Since Plan 2 does not have a COLA bank, it is expected that increases will be limited in some years. This reduces the overall expected rate and is reflected in a lower assumed increase.

Interest on Member Contributions

The annual credited interest rate on member contributions is assumed to be 7.25% compounded semi-annually for an annualized rate of 7.38%. This rate was adopted effective June 30, 2014 for valuation purposes, although the change in the member crediting rate is not effective until July 1, 2015.

Future Salaries

The rates of annual salary increase assumed for the purpose of the valuation are illustrated in Table A-5. In addition to increases in salary due to promotions and longevity, this scale includes an assumed 3.50% per annum rate of increase in the general wage level of the membership.

Increases are assumed to occur mid-year. The mid-year timing reflects that salary increases occur throughout the year, or on average mid-year.

SamCERA supplied two types of compensation data:
1) pensionable pay from the most recent bi-weekly pay period; and 2) pensionable pay from the prior year. We annualized bi-weekly pay (by multiplying by 26) and then used the greater of the two amounts.

Social Security Wage Base

Plan 3 members have their benefits offset by an assumed Social Security Benefit. For valuation funding purposes, we need to project the Social Security Benefit. We assume the current Social Security provisions will continue and the annual Wage Base will increase at the rate of 3.00% per year. Note, statutory provisions describe how to compute a member's offset amount at time of termination or retirement.

Retirement

The retirement rates vary by age and are shown by plan in Tables A-6 through A-11.

All General members who attain or who have attained age 70 and all Safety members who have attained age 60 are assumed to retire immediately. Additionally, if a member's benefit is equal to or greater than the 100% of compensation limit, the member is assumed to retire immediately. For purposes of the valuation, immediate retirement is assumed at:

- Age 62 with 38 years of service (General, except Plan 3, Plan 5, and Plan 7)
- Age 65 with 41 years of service (General Plan 5)
- Age 67 with 40 years of service (General Plan 7)
- Any age with 33 years of service (Safety & Probation, except Plans 5, 6, and 7)
- Age 55 with 33 years of service (Safety & Probation Plan 5)
- Age 55 with 38 years of service (Safety & Probation Plan 6)
- Age 57 with 38 years of service (Safety & Probation Plan 7)

Deferred vested members are assumed to retire at the later of current age and:

- Age 55 (General Members, except Plan 3 and Plan 7)
- Age 65 (General Plan 3 Members)
- Age 62 (General Plan 7 Members)
- Age 50 (Probation and Safety members)

The retirement rates were adopted June 30, 2014.

Disability

The rates of disability used in the valuation are also illustrated in Tables A-6 through A-11.

The disability rates were adopted June 30, 2014.

Mortality – Other Than Disabled Members

The same postretirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. These rates are illustrated in Table A-2. Beneficiary mortality is assumed to be the same as for healthy members. Beneficiaries are assumed to be of the opposite sex and have the same mortality as General members.

General Males	RP-2000 Healthy Combined Mortality Table for Males with adjustment for White Collar workers. Ages are set back three years.
Safety Males	Same as General.
General Females	RP-2000 Healthy Combined Mortality Table for Females with adjustment for White Collar workers. Ages are set back three years.
Safety Females	Same as General.

The rates of retired mortality were adopted June 30, 2011 and re-adopted June 30, 2014.

Mortality – Disabled Members

For disabled members, the mortality rates used in the valuation are illustrated in Table A-3.

General Males	Average of RP-2000 Healthy Combined Mortality Table for Males with adjustment for White Collar workers and the RP-2000 Disabled Annuitant Mortality Table for Males, both set back three years.
Safety Males	RP-2000 Healthy Combined Mortality Table for Males with adjustment for White Collar workers (minimum is 1.0%).
General Females	Average of RP-2000 Healthy Combined Mortality Table for Females with adjustment for White Collar workers and the RP-2000 Disabled Annuitant Mortality Table for Females, both set back three years.
Safety Females	RP-2000 Healthy Combined Mortality Table for Females with adjustment for White Collar workers (minimum is 0.4%).

The rates of mortality were adopted June 30, 2011 and re-adopted June 30, 2014.

Other Employment Terminations

Tables A-6 to A-11 show, for all ages, the rates assumed in this valuation for future termination from active service other than for death, disability or retirement. These rates do not apply to members eligible for service retirement.

Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further benefits, or they may leave their contributions with SamCERA. Former contributing members whose contributions are on deposit may later elect to receive a refund, may return to work or may remain inactive until becoming eligible to receive a retirement benefit under either SamCERA or a reciprocal retirement system. All terminating members who are not eligible for vested benefits are assumed to withdraw their contributions immediately.

The rates of termination were adopted June 30, 2011 and re-adopted June 30, 2014.

Probability of Refund

Table A-4 gives the assumed probabilities that vested members will withdraw their contributions and elect a refund immediately upon termination and the probability the remaining members will elect a deferred vested benefit. For Plan 3, 100% of members are assumed to elect a vested benefit. All non-vested members are assumed to elect a refund and withdraw their contributions.

The probability of refund assumptions were adopted June 30, 2011 and re-adopted June 30, 2014.

Probability of Eligible Survivor

For members not currently in pay status, 75% of all males and 55% of all females are assumed to have eligible survivors (spouses or qualified domestic partners). Survivors are assumed to be three years younger than male members and two years older than female members. Survivors are assumed to be of the opposite sex as the member. There is no explicit assumption for children's benefits. We believe the survivor benefits based on this assumption are sufficient to cover children's benefits as they occur.

Valuation of Current Deferred Members

Current non-vested members who have terminated active employment are assumed to take a refund of their contributions.

Current vested members who have terminated active employment are assumed to keep their accounts with SamCERA and retire as specified in this section. An adjustment is made to the salary data provided for these individuals, as it is our understanding that the salary data may not be complete in many cases. The adjustment is based on the average pay for all members of the active group divided by average pay for the deferred group. The average pay for the active group is based on the average pay over the last five-year period using the information supplied in the CAFR.

Reciprocal Benefits

35% of future deferred vested General members and 45% of future deferred vested Safety members are assumed to immediately join a reciprocal agency. For future reciprocal members, salaries are assumed to increase at the same rate as if they had remained in active employment with SamCERA. For current deferred vested members, eligibility is based on the data supplied by SamCERA and future salaries are assumed to increase at 4.02% annually.

Part-Time Employees

For valuation purposes, part-time employees are assumed to continue working the same number of hours in the future.

Adjustment to Plan 3 Normal Cost Rate

Plan 3 members are eligible to transfer to Plan 2 or Plan 4 (depending on entry date) after five years of service. We have adjusted the Plan 3 Normal Cost to account for this. The adjusted Plan 3 Normal Cost rate is 50% of the unadjusted Plan 3 Normal Cost rate and 50% of the Plan 4 Normal Cost rate.

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Member Contribution Rate Assumptions

The following assumptions summarize the procedures used to compute member contribution rates based on entry age:

In general, the member rate is determined by the present value of the future benefit (PVFB) payable at retirement age, divided by the present value of all future salaries payable between age at entry and retirement age. For these purposes, per the CERL:

A. The annuity factor used for General members is based on a 33% / 67% blend of the male and female annuity factors using current valuation assumptions and no COLA. For Safety members it is based on an 83% / 17% blend of the male and female annuity factors using current valuation assumptions.

B. The annuity factor used in determining the present value of future benefits (PVFB) at entry age is equal to the life only annuity factor at 7.25%.

C. The Final Compensation is based on the salary paid in the year prior to attaining the retirement age.

    Example: For a Plan 4 Member who enters at age 54 or earlier, the Final Compensation at retirement (age 55) will be the monthly average of the annual salary for age 54.

D. For purposes of calculating the value of the member's future contribution, interest is assumed to be credited at 7.25% semiannually (7.38% annual rate).

E. Member Rates are assumed to increase with entry age, except in Plan 7. There are a few exceptions at the higher entry ages where the calculated rate is less than the previous entry age. In these cases the member contribution rate is adjusted so that it is no less than the value for the previous entry age.

F. Member Rates for members of the California Nurses Association, members of the Union of American Physicians and Dentists and members of the Probation and Detention Association in Plans 1, 2, and 4 are loaded to account for a 25% COLA share. The COLA loads are applied to the otherwise applicable basic member rates, prior to the addition of cost-sharing. The loads were determined based on 2014 information and were applied as follows:

   Plan 1 General members: 19.60% load
   Plan 2 General members: 16.82% load
   Plan 4 General members: 11.51% load

   Plan 1 Probation members: 33.75% load
   Plan 2 Probation members: 33.75% load
   Plan 4 Probation members: 20.78% load

Member Contribution Rate Assumptions (continued)

G. General members rehired on or after August 7, 2011, Safety members rehired on or after January 8, 2012 and Probation members rehired on or after July 10, 2011 in Plans 1, 2, and 4 are loaded to account for a 50% COLA share. The COLA loads are applied to the otherwise applicable basic member rates, prior to the addition of cost-sharing. The loads were determined based on 2014 information and were applied as follows:

Plan 1 General members: 39.19% load
Plan 2 General members: 33.64% load
Plan 4 General members: 23.02% load

Plan 1 Safety members: 57.96% load
Plan 2 Safety members: 57.96% load
Plan 4 Safety members: 33.97% load

Plan 1 Probation members: 67.50% load
Plan 2 Probation members: 67.50% load
Plan 4 Probation members: 41.56% load

H. Member rates for members in Plans 5 and 6 are loaded to account for 50% COLA share. The COLA loads are applied to the otherwise applicable basic member rates, prior to the addition of cost-sharing where applicable. The loads were determined based on 2014 information and were applied as follows:

Plan 5 General members: 22.14% load

Plan 5 Safety members: 30.74% load
Plan 6 Safety members: 28.12% load

Plan 5 Probation members: 38.66% load
Plan 6 Probation members: 33.34% load

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Table A-1: Summary of Valuation Assumptions as of June 30, 2014

I. Economic assumptions

A. General wage increases	3.50%
B. Investment earnings	7.25%
C. Growth in active membership	0.00%
D. CPI inflation assumption	3.00%

II. Demographic assumptions

A. Salary increases due to service	Table A-5
B. Retirement	Tables A-6 to A-11
C. Disablement	Tables A-6 to A-11
D. Mortality for active members prior to termination*	Tables A-6 to A-11

Basis-- RP-2000 Employees Table with age adjustments:

Class of Members	Age Adjustment
General – Males	-3 years
General – Females	-3 years
Safety – Males	-3 years
Safety – Females	-3 years

E. Mortality for active members after termination and service retired members* — Table A-2

Basis – RP-2000 Healthy Combined Mortality Table with adjustment for White Collar workers:

Class of Members	Age Adjustment
General – Males	-3 years
General – Females	-3 years
Safety – Males	-3 years
Safety – Females	-3 years

* *The current mortality assumptions contain a margin to account for expected future mortality improvement. Refer to the 2014Investigation of Experience report for details.*

Table A-1: Summary of Valuation Assumptions as of June 30, 2014 (continued)

F. Mortality among disabled members* — Table A-3

Basis – Average of RP-2000 Healthy Combined Mortality Table with adjustment for White Collar workers and RP-2000 Disabled Annuitant Mortality Table:

Class of Members	Age Adjustment	Minimum Rate
General – Males	-3 years	None
General – Females	-3 years	None

Basis – RP-2000 Healthy Combined Mortality Table with adjustment for White Collar workers:

Class of Members	Age Adjustment	Minimum Rate
Safety – Males	none	1.00%
Safety – Females	none	0.40%

G. Mortality for beneficiaries* — Table A-2

Basis – Beneficiaries are assumed to be of the opposite sex and have the same mortality as General members.

H. Other terminations of employment — Tables A-6 to A-11

I. Refund of contributions on vested termination — Table A-4

* *The current mortality assumptions contain a margin to account for expected future mortality improvement. Refer to the 2014Investigation of Experience report for details.*

Table A-2: Mortality for Members Retired for Service

Age	General Male	General Female	Safety Male	Safety Female
20	0.030%	0.018%	0.030%	0.018%
25	0.037%	0.019%	0.037%	0.019%
30	0.038%	0.022%	0.038%	0.022%
35	0.043%	0.036%	0.043%	0.036%
40	0.071%	0.053%	0.071%	0.053%
45	0.103%	0.076%	0.103%	0.076%
50	0.158%	0.123%	0.158%	0.123%
55	0.250%	0.192%	0.250%	0.192%
60	0.409%	0.332%	0.409%	0.332%
65	0.731%	0.599%	0.731%	0.599%
70	1.404%	1.094%	1.404%	1.094%
75	2.387%	1.878%	2.387%	1.878%
80	4.236%	3.155%	4.236%	3.155%
85	7.493%	5.337%	7.493%	5.337%
90	13.019%	9.248%	13.019%	9.248%

Table A-3: Mortality for Members Retired for Disability

Age	General Male	General Female	Safety Male	Safety Female
20	1.144%	0.382%	1.000%	0.400%
25	1.147%	0.382%	1.000%	0.400%
30	1.148%	0.384%	1.000%	0.400%
35	1.150%	0.391%	1.000%	0.400%
40	1.164%	0.399%	1.000%	0.400%
45	1.180%	0.411%	1.000%	0.400%
50	1.335%	0.509%	1.000%	0.400%
55	1.703%	0.769%	1.000%	0.400%
60	2.106%	1.099%	1.000%	0.468%
65	2.615%	1.503%	1.106%	0.865%
70	3.424%	2.114%	1.928%	1.519%
75	4.664%	3.082%	3.363%	2.572%
80	6.725%	4.555%	5.941%	4.308%
85	9.840%	6.783%	10.467%	7.419%
90	14.271%	10.350%	17.827%	12.615%

Table A-4: Immediate Refund of Contributions Upon Termination of Employment (Excludes Plan 3)

Years of Service	General	Safety
0	100%	100%
1	100%	100%
2	100%	100%
3	100%	100%
4	100%	100%
5	45%	35%
6	45%	35%
7	45%	35%
8	44%	34%
9	43%	33%
10	42%	32%
11	41%	31%
12	40%	30%
13	38%	25%
14	36%	20%
15	34%	15%
16	32%	10%
17	30%	5%
18	27%	4%
19	24%	3%
20	21%	0%
21	18%	0%
22	15%	0%
23	12%	0%
24	9%	0%
25	6%	0%
26	3%	0%
27	0%	0%
28	0%	0%
29	0%	0%
30 & Up	0%	0%

Table A-5: Annual Increase in Salary

Years of Service	Due to Promotion and Longevity	Total Annual Increase*
<1	6.00%	9.71%
1	4.00%	7.64%
2	3.00%	6.61%
3	2.50%	6.09%
4	2.00%	5.57%
5	1.75%	5.31%
6	1.50%	5.05%
7	1.25%	4.79%
8	1.05%	4.59%
9	0.90%	4.43%
10	0.80%	4.33%
11	0.70%	4.22%
12	0.60%	4.12%
13	0.50%	4.02%
14	0.50%	4.02%
15	0.50%	4.02%
16	0.50%	4.02%
17	0.50%	4.02%
18	0.50%	4.02%
19	0.50%	4.02%
20 or More	0.50%	4.02%

** The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 3.50% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.*

Appendix A: Rates of Separation From Active Service
Tables A-6 to A-11

A schedule of the probabilities of termination of employment due to the following causes can be found on the following pages:

Service Retirement:	Member retires after meeting age and service requirements for reasons other than disability.
Withdrawal:	Member terminates and elects a refund of member contributions, or a deferred vested retirement benefit.
Service Disability:	Member receives disability retirement; disability is service related.
Ordinary Disability:	Member receives disability retirement; disability is not service related.
Service Death:	Member dies before retirement; death is service related.
Ordinary Death:	Member dies before retirement; death is not service related.

Each rate represents the probability that a member will separate from service at each age due to the particular cause. For example, a rate of 0.0300 for a member's service retirement at age 50 means we assume that 30 out of 1,000 members who are age 50 will retire at that age.

Each table represents the detailed rates needed for each SamCERA plan by sex:

Table A-6: General Plan 1, 2, 4, 5 & 7 Males
A-7: General Plan 1, 2, 4, 5 & 7 Females
A-8: General Plan 3 Males
A-9: General Plan 3 Females
A-10: Safety and Probation Plans 1, 2, 4, 5, 6 & 7 Males
A-11: Safety and Probation Plans 1, 2, 4, 5, 6 & 7 Females

Table A-6: Rate of Separation From Active Service General Plans 1, 2, 4, 5 & 7 – Male

Age	Service Retirement*	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.0004	0.0003	N/A	0.0003	0	0.1300
19	0.0000	0.0004	0.0003	N/A	0.0003	1	0.1100
20	0.0000	0.0004	0.0003	N/A	0.0003	2	0.0900
21	0.0000	0.0004	0.0003	N/A	0.0003	3	0.0800
22	0.0000	0.0004	0.0003	N/A	0.0003	4	0.0700
23	0.0000	0.0004	0.0003	N/A	0.0003	5	0.0633
24	0.0000	0.0004	0.0003	N/A	0.0004	6	0.0567
25	0.0000	0.0004	0.0003	N/A	0.0004	7	0.0500
26	0.0000	0.0004	0.0003	N/A	0.0004	8	0.0470
27	0.0000	0.0004	0.0003	N/A	0.0004	9	0.0440
28	0.0000	0.0004	0.0003	N/A	0.0004	10	0.0410
29	0.0000	0.0005	0.0003	N/A	0.0004	11	0.0380
30	0.0000	0.0005	0.0004	N/A	0.0004	12	0.0350
31	0.0000	0.0005	0.0004	N/A	0.0004	13	0.0330
32	0.0000	0.0006	0.0004	N/A	0.0004	14	0.0310
33	0.0000	0.0007	0.0004	N/A	0.0004	15	0.0290
34	0.0000	0.0007	0.0005	N/A	0.0005	16	0.0270
35	0.0000	0.0007	0.0005	N/A	0.0006	17	0.0250
36	0.0000	0.0008	0.0005	N/A	0.0006	18	0.0230
37	0.0000	0.0009	0.0006	N/A	0.0007	19	0.0210
38	0.0000	0.0010	0.0006	N/A	0.0008	20	0.0190
39	0.0000	0.0010	0.0007	N/A	0.0008	21	0.0170
40	0.0000	0.0011	0.0008	N/A	0.0009	22	0.0150
41	0.0000	0.0012	0.0008	N/A	0.0010	23	0.0140
42	0.0000	0.0013	0.0009	N/A	0.0010	24	0.0130
43	0.0000	0.0014	0.0009	N/A	0.0011	25	0.0120
44	0.0000	0.0014	0.0010	N/A	0.0011	26	0.0110
45	0.0000	0.0016	0.0010	N/A	0.0012	27	0.0100
46	0.0000	0.0016	0.0011	N/A	0.0013	28	0.0100
47	0.0000	0.0017	0.0012	N/A	0.0014	29	0.0100
48	0.0000	0.0018	0.0012	N/A	0.0015	30 & Above	0.0000
49	0.0000	0.0019	0.0012	N/A	0.0016		
50	0.0500	0.0019	0.0013	N/A	0.0017		
51	0.0450	0.0020	0.0013	N/A	0.0019		
52	0.0450	0.0020	0.0013	N/A	0.0020		
53	0.0500	0.0021	0.0014	N/A	0.0021		
54	0.0500	0.0022	0.0014	N/A	0.0023		
55	0.0600	0.0022	0.0014	N/A	0.0024		
56	0.0600	0.0022	0.0015	N/A	0.0026		
57	0.0800	0.0023	0.0015	N/A	0.0028		
58	0.1200	0.0025	0.0016	N/A	0.0030		
59	0.1200	0.0026	0.0017	N/A	0.0033		
60	0.1500	0.0027	0.0018	N/A	0.0036		
61	0.2250	0.0029	0.0019	N/A	0.0040		
62	0.2750	0.0030	0.0020	N/A	0.0044		
63	0.2500	0.0030	0.0020	N/A	0.0049		
64	0.2500	0.0030	0.0020	N/A	0.0054		
65	0.2500	0.0030	0.0020	N/A	0.0059		
66	0.3750	0.0030	0.0020	N/A	0.0065		
67	0.3500	0.0030	0.0020	N/A	0.0070		
68	0.2750	0.0030	0.0020	N/A	0.0076		
69	0.3250	0.0030	0.0020	N/A	0.0081		
70	1.0000	0.0000	0.0000	N/A	0.0000		

** 100% probability of retirement is assumed at ages 62 and above with 38 or more years of service (65/41 for Plan 5; 67/40 for Plan 7).*

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Table A-7: Rate of Separation From Active Service General Plans 1, 2, 4, 5 & 7 – Female

Age	Service Retirement*	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.0004	0.0003	N/A	0.0002	0	0.1200
19	0.0000	0.0004	0.0003	N/A	0.0002	1	0.1000
20	0.0000	0.0004	0.0003	N/A	0.0002	2	0.0850
21	0.0000	0.0004	0.0003	N/A	0.0002	3	0.0750
22	0.0000	0.0004	0.0003	N/A	0.0002	4	0.0700
23	0.0000	0.0004	0.0003	N/A	0.0002	5	0.0633
24	0.0000	0.0004	0.0003	N/A	0.0002	6	0.0567
25	0.0000	0.0004	0.0003	N/A	0.0002	7	0.0500
26	0.0000	0.0004	0.0003	N/A	0.0002	8	0.0455
27	0.0000	0.0004	0.0003	N/A	0.0002	9	0.0410
28	0.0000	0.0004	0.0003	N/A	0.0002	10	0.0365
29	0.0000	0.0004	0.0003	N/A	0.0002	11	0.0320
30	0.0000	0.0004	0.0003	N/A	0.0002	12	0.0275
31	0.0000	0.0004	0.0003	N/A	0.0002	13	0.0270
32	0.0000	0.0005	0.0003	N/A	0.0002	14	0.0265
33	0.0000	0.0005	0.0003	N/A	0.0003	15	0.0260
34	0.0000	0.0005	0.0004	N/A	0.0003	16	0.0255
35	0.0000	0.0006	0.0004	N/A	0.0003	17	0.0250
36	0.0000	0.0007	0.0004	N/A	0.0004	18	0.0230
37	0.0000	0.0007	0.0005	N/A	0.0004	19	0.0210
38	0.0000	0.0007	0.0005	N/A	0.0005	20	0.0190
39	0.0000	0.0008	0.0005	N/A	0.0005	21	0.0170
40	0.0000	0.0008	0.0006	N/A	0.0006	22	0.0150
41	0.0000	0.0009	0.0006	N/A	0.0006	23	0.0140
42	0.0000	0.0009	0.0006	N/A	0.0006	24	0.0130
43	0.0000	0.0011	0.0007	N/A	0.0007	25	0.0120
44	0.0000	0.0011	0.0008	N/A	0.0008	26	0.0110
45	0.0000	0.0013	0.0008	N/A	0.0009	27	0.0100
46	0.0000	0.0014	0.0009	N/A	0.0009	28	0.0100
47	0.0000	0.0015	0.0010	N/A	0.0010	29	0.0100
48	0.0000	0.0020	0.0013	N/A	0.0011	30 & Above	0.0000
49	0.0000	0.0025	0.0016	N/A	0.0012		
50	0.0400	0.0029	0.0020	N/A	0.0013		
51	0.0400	0.0034	0.0023	N/A	0.0014		
52	0.0400	0.0039	0.0026	N/A	0.0016		
53	0.0400	0.0041	0.0027	N/A	0.0017		
54	0.0500	0.0043	0.0028	N/A	0.0018		
55	0.0600	0.0044	0.0030	N/A	0.0020		
56	0.0600	0.0046	0.0031	N/A	0.0021		
57	0.0800	0.0048	0.0032	N/A	0.0023		
58	0.1200	0.0048	0.0032	N/A	0.0025		
59	0.1200	0.0048	0.0032	N/A	0.0028		
60	0.1500	0.0048	0.0032	N/A	0.0030		
61	0.2000	0.0048	0.0032	N/A	0.0033		
62	0.2750	0.0048	0.0032	N/A	0.0036		
63	0.2250	0.0048	0.0032	N/A	0.0039		
64	0.3000	0.0048	0.0032	N/A	0.0043		
65	0.3000	0.0048	0.0032	N/A	0.0047		
66	0.4000	0.0048	0.0032	N/A	0.0050		
67	0.4000	0.0048	0.0032	N/A	0.0054		
68	0.3000	0.0048	0.0032	N/A	0.0058		
69	0.3500	0.0048	0.0032	N/A	0.0062		
70	1.0000	0.0000	0.0000	N/A	0.0000		

** 100% probability of retirement is assumed at ages 62 and above with 38 or more years of service (65/41 for Plan 5; 67/40 for Plan 7).*

Table A-8: Rate of Separation From Active Service
General Plan 3 – Male

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	N/A	N/A	N/A	0.0003	0	0.1300
19	0.0000	N/A	N/A	N/A	0.0003	1	0.1100
20	0.0000	N/A	N/A	N/A	0.0003	2	0.0900
21	0.0000	N/A	N/A	N/A	0.0003	3	0.0800
22	0.0000	N/A	N/A	N/A	0.0003	4	0.0700
23	0.0000	N/A	N/A	N/A	0.0003	5	0.0633
24	0.0000	N/A	N/A	N/A	0.0004	6	0.0567
25	0.0000	N/A	N/A	N/A	0.0004	7	0.0500
26	0.0000	N/A	N/A	N/A	0.0004	8	0.0470
27	0.0000	N/A	N/A	N/A	0.0004	9	0.0440
28	0.0000	N/A	N/A	N/A	0.0004	10	0.0410
29	0.0000	N/A	N/A	N/A	0.0004	11	0.0380
30	0.0000	N/A	N/A	N/A	0.0004	12	0.0350
31	0.0000	N/A	N/A	N/A	0.0004	13	0.0330
32	0.0000	N/A	N/A	N/A	0.0004	14	0.0310
33	0.0000	N/A	N/A	N/A	0.0004	15	0.0290
34	0.0000	N/A	N/A	N/A	0.0005	16	0.0270
35	0.0000	N/A	N/A	N/A	0.0006	17	0.0250
36	0.0000	N/A	N/A	N/A	0.0006	18	0.0230
37	0.0000	N/A	N/A	N/A	0.0007	19	0.0210
38	0.0000	N/A	N/A	N/A	0.0008	20	0.0190
39	0.0000	N/A	N/A	N/A	0.0008	21	0.0170
40	0.0000	N/A	N/A	N/A	0.0009	22	0.0150
41	0.0000	N/A	N/A	N/A	0.0010	23	0.0140
42	0.0000	N/A	N/A	N/A	0.0010	24	0.0130
43	0.0000	N/A	N/A	N/A	0.0011	25	0.0120
44	0.0000	N/A	N/A	N/A	0.0011	26	0.0110
45	0.0000	N/A	N/A	N/A	0.0012	27	0.0100
46	0.0000	N/A	N/A	N/A	0.0013	28	0.0100
47	0.0000	N/A	N/A	N/A	0.0014	29	0.0100
48	0.0000	N/A	N/A	N/A	0.0015	30 & Above	0.0100
49	0.0000	N/A	N/A	N/A	0.0016		
50	0.0000	N/A	N/A	N/A	0.0017		
51	0.0000	N/A	N/A	N/A	0.0019		
52	0.0000	N/A	N/A	N/A	0.0020		
53	0.0000	N/A	N/A	N/A	0.0021		
54	0.0000	N/A	N/A	N/A	0.0023		
55	0.0300	N/A	N/A	N/A	0.0024		
56	0.0300	N/A	N/A	N/A	0.0026		
57	0.0300	N/A	N/A	N/A	0.0028		
58	0.0300	N/A	N/A	N/A	0.0030		
59	0.0300	N/A	N/A	N/A	0.0033		
60	0.0300	N/A	N/A	N/A	0.0036		
61	0.0600	N/A	N/A	N/A	0.0040		
62	0.1500	N/A	N/A	N/A	0.0044		
63	0.1000	N/A	N/A	N/A	0.0049		
64	0.1500	N/A	N/A	N/A	0.0054		
65	0.3000	N/A	N/A	N/A	0.0059		
66	0.3000	N/A	N/A	N/A	0.0065		
67	0.3000	N/A	N/A	N/A	0.0070		
68	0.3000	N/A	N/A	N/A	0.0076		
69	0.3000	N/A	N/A	N/A	0.0081		
70	1.0000	N/A	N/A	N/A	0.0000		

Table A-9: Rate of Separation From Active Service General Plan 3 – Female

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death
18	0.0000	N/A	N/A	N/A	0.0002
19	0.0000	N/A	N/A	N/A	0.0002
20	0.0000	N/A	N/A	N/A	0.0002
21	0.0000	N/A	N/A	N/A	0.0002
22	0.0000	N/A	N/A	N/A	0.0002
23	0.0000	N/A	N/A	N/A	0.0002
24	0.0000	N/A	N/A	N/A	0.0002
25	0.0000	N/A	N/A	N/A	0.0002
26	0.0000	N/A	N/A	N/A	0.0002
27	0.0000	N/A	N/A	N/A	0.0002
28	0.0000	N/A	N/A	N/A	0.0002
29	0.0000	N/A	N/A	N/A	0.0002
30	0.0000	N/A	N/A	N/A	0.0002
31	0.0000	N/A	N/A	N/A	0.0002
32	0.0000	N/A	N/A	N/A	0.0002
33	0.0000	N/A	N/A	N/A	0.0003
34	0.0000	N/A	N/A	N/A	0.0003
35	0.0000	N/A	N/A	N/A	0.0003
36	0.0000	N/A	N/A	N/A	0.0004
37	0.0000	N/A	N/A	N/A	0.0004
38	0.0000	N/A	N/A	N/A	0.0005
39	0.0000	N/A	N/A	N/A	0.0005
40	0.0000	N/A	N/A	N/A	0.0006
41	0.0000	N/A	N/A	N/A	0.0006
42	0.0000	N/A	N/A	N/A	0.0006
43	0.0000	N/A	N/A	N/A	0.0007
44	0.0000	N/A	N/A	N/A	0.0008
45	0.0000	N/A	N/A	N/A	0.0009
46	0.0000	N/A	N/A	N/A	0.0009
47	0.0000	N/A	N/A	N/A	0.0010
48	0.0000	N/A	N/A	N/A	0.0011
49	0.0000	N/A	N/A	N/A	0.0012
50	0.0000	N/A	N/A	N/A	0.0013
51	0.0000	N/A	N/A	N/A	0.0014
52	0.0000	N/A	N/A	N/A	0.0016
53	0.0000	N/A	N/A	N/A	0.0017
54	0.0000	N/A	N/A	N/A	0.0018
55	0.0400	N/A	N/A	N/A	0.0020
56	0.0400	N/A	N/A	N/A	0.0021
57	0.0400	N/A	N/A	N/A	0.0023
58	0.0400	N/A	N/A	N/A	0.0025
59	0.0400	N/A	N/A	N/A	0.0028
60	0.0400	N/A	N/A	N/A	0.0030
61	0.0600	N/A	N/A	N/A	0.0033
62	0.1500	N/A	N/A	N/A	0.0036
63	0.1000	N/A	N/A	N/A	0.0039
64	0.1500	N/A	N/A	N/A	0.0043
65	0.3000	N/A	N/A	N/A	0.0047
66	0.3000	N/A	N/A	N/A	0.0050
67	0.3000	N/A	N/A	N/A	0.0054
68	0.3000	N/A	N/A	N/A	0.0058
69	0.3000	N/A	N/A	N/A	0.0062
70	1.0000	N/A	N/A	N/A	0.0000

Years of Service	Other Terminations
0	0.1200
1	0.1000
2	0.0850
3	0.0750
4	0.0700
5	0.0633
6	0.0567
7	0.0500
8	0.0455
9	0.0410
10	0.0365
11	0.0320
12	0.0275
13	0.0270
14	0.0265
15	0.0260
16	0.0255
17	0.0250
18	0.0230
19	0.0210
20	0.0190
21	0.0170
22	0.0150
23	0.0140
24	0.0130
25	0.0120
26	0.0110
27	0.0100
28	0.0100
29	0.0100
30 & Above	0.0100

Table A-10: Rate of Separation From Active Service Safety & Probation Plans – Male

Age	Plans 1, 2, 4 Service Retirement*	Plans 5, 6, 7 Service Retirement**	Service Disability	Ordinary Disability	Service Death	Ordinary Death
18	0.0000	0.0000	0.0017	0.0000	0.0010	0.0003
19	0.0000	0.0000	0.0017	0.0000	0.0010	0.0003
20	0.0000	0.0000	0.0017	0.0000	0.0010	0.0003
21	0.0000	0.0000	0.0017	0.0000	0.0010	0.0003
22	0.0000	0.0000	0.0017	0.0000	0.0010	0.0003
23	0.0000	0.0000	0.0017	0.0000	0.0010	0.0003
24	0.0000	0.0000	0.0017	0.0000	0.0010	0.0004
25	0.0000	0.0000	0.0017	0.0000	0.0010	0.0004
26	0.0000	0.0000	0.0017	0.0000	0.0010	0.0004
27	0.0000	0.0000	0.0017	0.0000	0.0010	0.0004
28	0.0000	0.0000	0.0018	0.0000	0.0010	0.0004
29	0.0000	0.0000	0.0019	0.0000	0.0010	0.0004
30	0.0000	0.0000	0.0020	0.0000	0.0010	0.0004
31	0.0000	0.0000	0.0021	0.0000	0.0010	0.0004
32	0.0000	0.0000	0.0022	0.0000	0.0010	0.0004
33	0.0000	0.0000	0.0023	0.0000	0.0010	0.0004
34	0.0000	0.0000	0.0024	0.0000	0.0010	0.0005
35	0.0000	0.0000	0.0025	0.0000	0.0010	0.0006
36	0.0000	0.0000	0.0026	0.0000	0.0010	0.0006
37	0.0000	0.0000	0.0028	0.0000	0.0010	0.0007
38	0.0000	0.0000	0.0029	0.0000	0.0010	0.0008
39	0.0000	0.0000	0.0030	0.0000	0.0010	0.0008
40	0.0000	0.0000	0.0031	0.0000	0.0010	0.0009
41	0.0000	0.0000	0.0032	0.0000	0.0010	0.0010
42	0.0000	0.0000	0.0033	0.0000	0.0010	0.0010
43	0.0000	0.0000	0.0034	0.0000	0.0010	0.0011
44	0.0000	0.0000	0.0036	0.0000	0.0010	0.0011
45	0.0000	0.0000	0.0037	0.0000	0.0010	0.0012
46	0.0000	0.0000	0.0039	0.0000	0.0010	0.0013
47	0.0000	0.0000	0.0040	0.0000	0.0010	0.0014
48	0.0000	0.0000	0.0046	0.0000	0.0010	0.0015
49	0.0000	0.0000	0.0052	0.0000	0.0010	0.0016
50	0.1500	0.0500	0.0058	0.0000	0.0010	0.0017
51	0.1250	0.0500	0.0064	0.0000	0.0010	0.0019
52	0.1500	0.0500	0.0070	0.0000	0.0010	0.0020
53	0.2000	0.0500	0.0082	0.0000	0.0010	0.0021
54	0.1300	0.1000	0.0095	0.0000	0.0010	0.0023
55	0.2750	0.2750	0.0107	0.0000	0.0010	0.0024
56	0.2500	0.2750	0.0120	0.0000	0.0010	0.0026
57	0.1700	0.2750	0.0132	0.0000	0.0010	0.0028
58	0.2000	0.2750	0.0119	0.0000	0.0010	0.0030
59	0.2500	0.2750	0.0106	0.0000	0.0010	0.0033
60	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000

Years of Service	Other Terminations
0	0.0700
1	0.0650
2	0.0450
3	0.0300
4	0.0250
5	0.0233
6	0.0217
7	0.0200
8	0.0185
9	0.0170
10	0.0155
11	0.0140
12	0.0125
13	0.0120
14	0.0115
15	0.0110
16	0.0105
17	0.0100
18	0.0080
19	0.0060
20 & Above	0.0000

** 100% probability of retirement is assumed at ages 50 and above with 33 or more years of service for Safety and Probation Plans 1, 2, and 4.*

*** 100% probability of retirement is assumed at ages 55 and above with 33 or more years of service for Safety and Probation Plan 5, ages 55 and above with 38 or more years of service for Safety and Probation Plan 6, and ages 57 and above with 38 or more years of service for Safety and Probation Plan 7.*

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Table A-11: Rate of Separation From Active Service Safety & Probation Plans – Female

Age	Plans 1, 2, 4 Service Retirement*	Plans 5, 6, 7 Service Retirement**	Service Disability	Ordinary Disability	Service Death	Ordinary Death
18	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002
19	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002
20	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002
21	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002
22	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002
23	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002
24	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002
25	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002
26	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002
27	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002
28	0.0000	0.0000	0.0018	0.0000	0.0010	0.0002
29	0.0000	0.0000	0.0019	0.0000	0.0010	0.0002
30	0.0000	0.0000	0.0020	0.0000	0.0010	0.0002
31	0.0000	0.0000	0.0021	0.0000	0.0010	0.0002
32	0.0000	0.0000	0.0022	0.0000	0.0010	0.0002
33	0.0000	0.0000	0.0023	0.0000	0.0010	0.0003
34	0.0000	0.0000	0.0024	0.0000	0.0010	0.0003
35	0.0000	0.0000	0.0025	0.0000	0.0010	0.0003
36	0.0000	0.0000	0.0026	0.0000	0.0010	0.0004
37	0.0000	0.0000	0.0028	0.0000	0.0010	0.0004
38	0.0000	0.0000	0.0029	0.0000	0.0010	0.0005
39	0.0000	0.0000	0.0030	0.0000	0.0010	0.0005
40	0.0000	0.0000	0.0031	0.0000	0.0010	0.0006
41	0.0000	0.0000	0.0032	0.0000	0.0010	0.0006
42	0.0000	0.0000	0.0033	0.0000	0.0010	0.0006
43	0.0000	0.0000	0.0034	0.0000	0.0010	0.0007
44	0.0000	0.0000	0.0036	0.0000	0.0010	0.0008
45	0.0000	0.0000	0.0037	0.0000	0.0010	0.0009
46	0.0000	0.0000	0.0039	0.0000	0.0010	0.0009
47	0.0000	0.0000	0.0040	0.0000	0.0010	0.0010
48	0.0000	0.0000	0.0046	0.0000	0.0010	0.0011
49	0.0000	0.0000	0.0052	0.0000	0.0010	0.0012
50	0.1500	0.0500	0.0058	0.0000	0.0010	0.0013
51	0.1250	0.0500	0.0064	0.0000	0.0010	0.0014
52	0.1500	0.0500	0.0070	0.0000	0.0010	0.0016
53	0.2000	0.0500	0.0082	0.0000	0.0010	0.0017
54	0.1300	0.1000	0.0095	0.0000	0.0010	0.0018
55	0.2750	0.2750	0.0107	0.0000	0.0010	0.0020
56	0.2500	0.2750	0.0120	0.0000	0.0010	0.0021
57	0.1700	0.2750	0.0132	0.0000	0.0010	0.0023
58	0.2000	0.2750	0.0119	0.0000	0.0010	0.0025
59	0.2500	0.2750	0.0106	0.0000	0.0010	0.0028
60	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000

Years of Service	Other Terminations
0	0.0700
1	0.0650
2	0.0450
3	0.0300
4	0.0250
5	0.0233
6	0.0217
7	0.0200
8	0.0185
9	0.0170
10	0.0155
11	0.0140
12	0.0125
13	0.0120
14	0.0115
15	0.0110
16	0.0105
17	0.0100
18	0.0080
19	0.0060
20 & Above	0.0000

** 100% probability of retirement is assumed at ages 50 and above with 33 or more years of service.*

*** 100% probability of retirement is assumed at ages 55 and above with 33 or more years of service for Safety and Probation Plan 5, ages 55 and above with 38 or more years of service for Safety and Probation Plan 6, and ages 57 and above with 38 or more years of service for Safety and Probation Plan 7.*

Appendix B: Summary of Benefit Provisions

All actuarial calculations are based on our understanding of the statutes governing the SamCERA as contained in the County Employees Retirement Law (CERL) of 1937, with provisions adopted by the SamCERA Board, effective through June 30, 2014. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the Code Section. This summary does not attempt to cover all the detailed provisions of the law.

MEMBERSHIP IN RETIREMENT PLANS

Government Code Section

The County has established 12 defined benefit plans based on a member's date of entry into SamCERA. Plans 1, 2, 4, 5, 6, and 7 are open to all members depending on their date of entry. Only General members are eligible for Plan 3.

Employees of the Mosquito and Vector Control District are eligible for participation in all General retirement plans, except for Plan 3.

Plan 1: Employees hired on or before July 6, 1980.

Plan 2: Employees hired after July 6, 1980 but on or before July 12, 1997.

Plan 3: General members hired on or before December 22, 2012 may elect to participate in Plan 3. After five years of service, Plan 3 members can elect membership under the open contributory plan. Members currently working in a contributory plan with Plan 3 service may purchase an upgrade of their Plan 3 service. (31496)

Plan 4: Employees hired after July 12, 1997 and before August 7, 2011 (General members, except Plan 5 transfers; see below); before July 10, 2011 (Probation members); and before January 8, 2012 (Safety members).

Plan 5: General members hired on or after August 7, 2011, and Deputy Sheriffs hired on or after January 8, 2012. Probation members hired on or after July 10, 2011 and Safety members (except Deputy Sheriffs) hired on or after January 8, 2012 may elect this Plan. Members must be first hired before January 1, 2013 to be eligible to elect this Plan.

After 10 years of service, General Plan 5 members can elect to transfer to Plan 4 and must pay the total actuarial equivalent cost of the increase in past service benefits at the date of transfer.

Plan 6: Probation members hired on or after July 10, 2011 and Safety members (except Deputy Sheriffs) hired on or after January 8, 2012 may elect this Plan. Members must be first hired before January 1, 2013 to be eligible to elect this Plan.

Plan 7: Employees first hired on or after January 1, 2013.

MEMBER CONTRIBUTIONS

Basic:

Plans 1, 2, 4, 5, & 6: Contributions are based on the entry age and class of each member and are required of all members. See section 5 for details on this calculation. Current member rates are shown in Appendix D.

Contributions cease when general members are credited with 30 years of service in a contributory plan provided they were members of SamCERA or a reciprocal system on March 7, 1973, and continuously thereafter. All safety members are eligible for the 30-year cessation of contributions. This provision does not apply to cost-sharing contributions. (31625.2, 31664.1)

Plan 7: Members contribute 50% of the aggregate Normal Cost rate for their Plan.

Plan 3: No member contributions are required under Plan 3.

Cost-of-Living:

Plans 1, 2, & 4: Members of the California Nurses Association (CNA), the Union of American Physicians and Dentists (UAPD), and the Probation and Detention Association (PDA) in Plans 1, 2, and 4 contribute 25% of the cost of the COLA, in addition to other current member rates and cost sharing.

General members (County and Courts) who rehire on or after August 7, 2011, Probation members who rehire on or after July 10, 2011, and Safety members who rehire on or after January 8, 2012 into Plans 1, 2, and 4 contribute 50% of the cost of COLA, in addition to other current member rates and cost sharing.

No other Plan 1, 2 & 4 members contribute towards the COLA benefit.

Plans 5 & 6: All members of Plans 5 and 6 contribute 50% of the cost of the COLA, in addition to other current member rates and cost sharing.

Plan 7: Members contribute 50% of the aggregate Normal Cost rate for their Plan.

MEMBER CONTRIBUTIONS (Continued)

Cost Sharing:

General Members:	All members of Plans 1, 2, and 4 (except SMCM&VCD) contribute an additional 3.0% for cost sharing. All other General members do not participate in cost sharing.	(31678.2)
Safety Members:	Deputy Sheriffs in Plans 1, 2, 4, and 5 contribute the following additional cost sharing rates based on age and service: If age 45 or older — 4.5% If age is less than 45 ▪ Service is less than 5 years: 3.0% ▪ Service between 5 & 15 years: 3.5% ▪ Service is more than 15 years 4.5% Safety members (except Deputy Sheriffs) in Plans 1, 2, and 4 contribute an additional 5.0% cost sharing. Safety members (except Deputy Sheriffs) in Plan 5 contribute an additional 4.0% cost sharing. Safety members in Plan 6 and 7 do not participate in cost sharing.	
Probation Members:	Members of Plans 1, 2, 4, and 5 contribute an additional 3.5% for cost sharing. Members of Plans 6 and 7 do not participate in cost sharing.	
Interest Crediting:	Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Retirement on amounts that have been on deposit for at least six months.	(31591, 31700)

MEMBER CONTRIBUTIONS (Continued)

Employer Pick-Up:		
General members:	The County provides a variety of refundable service-based employer pick-up of contribution programs for members in several of its unions. Employer rates have not been adjusted to reflect the payment of the refundable employer pick-up of member contributions programs because the county payroll system captures these costs on a pay-as-you-go basis while processing each individual's biweekly pay.	(31581.2)
Safety members:	The County provides a variety of refundable service-based employer pick-up of contribution programs for members in several of its unions. Employer rates have not been adjusted to reflect the payment of the refundable employer pick-up of member contributions programs because the county payroll system captures these costs on a pay-as-you-go basis while processing each individual's biweekly pay.	(31678.2)
Probation members:	The County provides a variety of refundable service-based employer pick-up of contribution programs for members in several of its unions. Employer rates have been adjusted to reflect the 20% non-refundable County pick-up, effective April 2006.	(31639.85)

EMPLOYER CONTRIBUTIONS

The employer (County or district) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation and recommendation of the actuary.	(31453, 31453.5, 31453.6, 31454 31581)

SERVICE RETIREMENT ALLOWANCE

<u>**Eligibility:**</u> **General Members:**	All members of Plans 1, 2, 4, and 5 are eligible to retire after meeting one of the following age and service requirements: • Age 50 with 10 years of service*; • Any age with 30 years of service; or • Age 70 regardless of service.	(31672)
	Plan 3 members are eligible to retire at age 65 with 10 years of service. A reduced benefit is also payable at age 55 with 10 years of service.	(31496)
	Plan 7 members are eligible to retire at age 52 with 5 years of service.	
Safety and Probation Members:	Members of all plans except Plan 7 are eligible to retire after meeting one of the following age and service requirements: • Age 50 with 10 years of service; • Any age with 20 years of service.	(31663.25)
	Plan 7 members are eligible to retire at age 50 with 5 years of service.	
	** For part-time employees, age 50 is replaced with age 55.*	(31672.1)
<u>**Final Compensation:**</u> **Plans 1 & 2:**	Monthly average of a member's highest 12 consecutive months of compensation.	(31462.1)
All other Plans:	Monthly average of a member's highest compensation during any three years. Years do not have to be consecutive, except for Plan 7.	[31462, 31496.3(d)]
<u>**Compensation Limit:**</u> **All Plans, except Plan 7:**	The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the US Code.	(31671)

SERVICE RETIREMENT ALLOWANCE (Continued)

Plan 7:	The amount of compensation taken into account shall not exceed the following applicable percentage of the Social Security Taxable Wage Base: • 100% for a member covered by Social Security (County and Courts General members); • 120% for a member not covered by Social Security (all other members). The amount of compensation taken into account shall be adjusted based on changes in the Consumer Price Index for All Urban Consumers. Adjustments shall be effective annually on January 1.	
Monthly Allowance:		
Plans 1, 2, 4, & 5:	**General members:** 1/60 x Final Compensation x General age factor x years of service.	(31676.14) (31676.1)
	Safety & Probation members: 3% x Final Compensation x Safety age factor x years of service.	(31664.1) (31664.2)
Plan 6:	**Safety & Probation members:** 2% x Final Compensation x Safety age factor x years of service.	(31664)
Plan 7:	**General members:** 2% x Final Compensation x General age factor x years of service. **Safety and Probation members:** 2% x Final Compensation x Safety age factor x years of service.	

SERVICE RETIREMENT ALLOWANCE (Continued)

Plan 3:	**General members: (a)+(b)-(c) where:** (a) 2% x Final Compensation x (Years of Service, (up to 35 years), plus (b) 1% x Final Compensation x Years of Service in excess of 35 (up to 10) (c) Estimated Primary Insurance Amount (PIA) x Years of Covered Service (up to 35) divided by 35. The PIA is calculated based on certain assumptions specified by statute, and an assumed Social Security retirement age of 65. If retirement occurs prior to age 65, benefit amount is adjusted by an actuarial equivalent factor (see Sample Plan Age Factors).	(31496)

Percentage of Final Average Compensation at Sample Ages:

Plan	Age 50	Age 55	Age 60	Age 65	
County General 1,2&4	1.475%	1.948%	2.440%	2.611%	(31676.14)
SMCM&VCD*	1.475%	1.948%	2.440%	2.611%	(31676.14)
General Plan 3**	N/A	0.780%	1.220%	2.000%	(31496)
General Plan 5	1.182%	1.492%	1.917%	2.432%	(31676.1)
General Plan 7	N/A	1.300%	1.800%	2.300%	
Safety/Probation 1,2,&4	3.000%	3.000%	3.000%	3.000%	(31664.1)
Safety/Probation Plan 5	2.290%	3.000%	3.000%	3.000%	(31664.2)
Safety/Probation Plan 6	2.000%	2.620%	2.620%	2.620%	(31664)
Safety/Probation Plan 7	2.000%	2.500%	2.700%	2.700%	

* *As of the June 30, 2010 actuarial valuation, SMCM&VCD has adopted the same benefit structure as County General.*

** *Prior to reduction for PIA benefit. Actual percentage will be less.*

SERVICE RETIREMENT ALLOWANCE (Continued)

Maximum Allowance:		
All Plans Except 3:	Allowance may not exceed 100% of final compensation.	
Plan 3:	The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of Final Compensation for a member with 35 or less years of service, and cannot exceed 80% of Final Compensation if service exceeds 35 years.	(31496)

Unmodified Retirement Allowance (Normal Form):

All Plans Except 3:	Life Annuity payable to retired member with 60% continuance to an eligible survivor (or eligible children).	(31760.1)
Plan 3:	Life Annuity payable to retired member with 50% continuance to an eligible survivor (or eligible children).	(31497.71)

Eligible survivor includes certain domestic partners. (31780.2)

Optional Retirement Allowance:
A member may elect to have the actuarial equivalent of the service or disability retirement allowance applied to a lesser retirement allowance during the retired member's life in order to provide an optional survivor allowance.

Option 1:	Member’s allowance is reduced to pay a cash refund of any unpaid annuity payments (up to the amount of the member’s contributions at retirement) to the member’s estate or to a beneficiary having an insurable interest in the life of the member.	(31761)
Option 2:	100% of member’s reduced allowance is payable to an eligible survivor or beneficiary having an insurable interest in the life of the member.	(31762)
Option 3:	50% of member’s reduced allowance is payable to an eligible survivor or beneficiary having an insurable interest in the life of the member.	(31763)
Option 4:	Other % of member’s reduced allowance is payable to an eligible survivor or beneficiary(ies) having an insurable interest in the life of the member.	(31764)

For Options 2, 3 or 4, the continuance will not be paid if the member revokes their election and names another beneficiary after retirement. (31782)

All Allowances:	All allowances are made on a pro rata basis (based on the number of days in that month) if not in effect for the entire month of retirement. For deaths that occur mid-month, the full month’s payment is made.	(31600)

SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility: **All Plans Except 3:**	Any age or years of service; disability must result from occupational injury or disease, and member must be permanently incapacitated for the performance of duty.	(31720, 31720.5, 31720.6, 31720.7, 31720.9)
Plan 3:	Not available under Plan 3.	(31487)
Monthly Allowance:	Greater of (1) 50% of final compensation, and (2) the service retirement allowance, if eligible to retire.	(31727.4)
Normal Form Of Payment:	Life Annuity with 100% continuance to a surviving spouse (or eligible children).	(31760, 31786)

RECIPROCAL SERVICE-CONNECTED DISABILITY ALLOWANCE

Eligibility: **All Plans Except 3:**	Any member regardless of age or years of service who leaves their accumulated contributions on deposit and receives a disability retirement allowance from CalPERS or another ’37 Act system. The member must be eligible for a reciprocal benefit and the disability must be service-connected.	(31837)
Plan 3:	Not available under Plan 3.	
Monthly Allowance:	Same as nonservice-connected disability, but in no case shall the allowance be greater than if all service was with one entity.	(31837, 31838.5)
Normal Form of Payment:	Life Annuity with 100% continuance to a surviving spouse (or eligible children).	(31760, 31786)

NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility: **All Plans Except 3:**	Any age with five years of service and permanently incapacitated for the performance of duty.	(31720, 31836)
Plan 3:	Not available under Plan 3.	(31487)
Monthly Allowance:	The monthly allowance is equal to a service retirement allowance if the member is eligible to retire, otherwise allowance equals (a) or (b) where:	(31726, 31726.5)
General Members:	(a) 90% of 1/60th of Final Compensation x years of service, if member must rely on service in another retirement system in order to be eligible to retire, or allowance exceeds 1/3 of final compensation.	(31727(a))
	(b) 90% of 1/60th of Final Compensation x years of service projected to age 65, not to exceed 1/3 of Final Compensation.	(31727(b))
Safety Members:	1/60 is replaced by 1/50 and age 65 is replaced by age 55 in (a) and (b) above.	(31727.2)
Normal Form Of Payment:	Life Annuity with 60% continuance to a surviving spouse (or eligible children).	(31760.1)

SERVICE-CONNECTED DEATH BENEFITS

Eligibility **All Plans Except 3:**	Active members who die in service as a result of injury or disease arising out of and in the course of employment.	(31787)
Plan 3:	Not available under Plan 3.	(31487)
Monthly Allowance:	An annual death allowance is payable monthly to an eligible survivor (or eligible children) equal to 50% of the member's Final Compensation.	(31787)

SERVICE-CONNECTED DEATH BENEFITS (Continued)

Optional Combined Benefit: (31781.3)

In lieu of the monthly allowance above, an eligible survivor may elect:

(a) A lump sum equal to 1/12 of the compensation earned in the preceding 12 months x years of service (benefit not to exceed 50% of the 12 months' compensation), plus

(b) A monthly payment equal to 50% of the member's Final Compensation, reduced by a monthly amount, which is the actuarial equivalent of (a) above based on the age of eligible survivor.

Death Benefit (Lump Sum): (31781)
The member's normal contributions and interest, plus 1/12 of the compensation earned in the preceding 12 months x years of service (benefit not to exceed 50% of the 12 months' compensation).

Additional Allowance for Children: (31787.5)
25% of death allowance (whether or not the monthly allowance or combined benefit is chosen) for one child, 40% for two children, and 50% for three or more children.

Additional Amount for Spouse of Safety Member: (31787.6)
An eligible survivor of a safety member is also entitled to receive a lump-sum death benefit equal to 12 x monthly rate of compensation at the time of member's death in addition to all other benefits.

Note: *For valuation purposes, an unmarried member is assumed to take the lump sum benefit. A married member is assumed to take the monthly allowance or the lump sum, whichever is more valuable.*

NONSERVICE-CONNECTED DEATH BENEFITS

Eligibility:

All Plans Except 3:	Active members who die while in service or while physically or mentally incapacitated for the performance of duty.	(31780)
Plan 3:	Not available under Plan 3.	

Death Benefit (Lump Sum): (31781)
The member's normal contributions and interest, plus 1/12 of the Compensation earned in preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation).

Optional Death Benefit:
In lieu of the lump-sum death benefit, several optional death benefits are available to provide flexibility to survivors, as follows.

First Optional Death Benefit: (31781.1)
If a member who would have been entitled to a nonservice-connected disability retirement allowance dies prior to retirement as a result of such disability, the eligible survivor (or eligible children) may elect to receive an optional death allowance equal to 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death.

Second Optional Death Benefit: (31781.2, 31765.2)
If a member dies prior to reaching the minimum retirement age but has 10 or more years of service, an eligible survivor (or eligible children) may elect to leave the amount of the death benefit on deposit until the earliest date the member could have retired and at that time receive the allowance provided for in 31765.2 (a 60% continuance).

Third Optional Death Benefit:
An eligible survivor of a member who dies after five years of service may elect a combined benefit equal to:

(a) A lump sum equal to 1/12 of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus (31781.3)

(b) A monthly payment equal to 60% of the monthly retirement allowance to which the member would have been entitled if the member retired or had been retired for a nonservice-connected disability as of the date of death, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of the eligible survivor. (31781.1)

NONSERVICE-CONNECTED DEATH BENEFITS (Continued)

Fourth Optional Death Benefit:

If a member dies while eligible for a service retirement and the eligible survivor is designated as beneficiary, the spouse (or eligible children) may elect to receive 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death. (31765.1)

Note for Third and Fourth Optional Death Benefits: In order to leave the eligible survivor the greatest benefit, the member is assumed to have retired for nonservice-connected disability, elected the Option 2 retirement allowance, and then died the next day.

Fifth Optional Death Benefit:

If a member dies while eligible for a service retirement and the eligible survivor is designated as beneficiary and survives the member by not less than 30 days the spouse (or eligible children) may elect to receive the same retirement allowance as the spouse would have received had the member retired on the date of death and selected Option 3. (31765)

Note: *For valuation purposes, an unmarried member is assumed to take the lump sum benefit. A married member is assumed to receive an annuity or a lump-sum, whichever is more valuable. The annuity is equal to the Option 2-100% Continuance calculation for the larger of either (1) a non-service connected disability benefit or (2) the member's earned service retirement benefit (if eligible).*

DEFERRED VESTED BENEFITS

Eligibility:		
All Plans, except Plans 3 and 7:	Age 50 with 10 years of membership. Member contributions must be left on deposit and the member must have terminated with five years of service or entered a reciprocal agency. Members are eligible for service retirement when they would have reached eligibility if they would have remained in an active position.	(31700)
Plan 3:	Age 55 with 10 years of service.	(31496)
Plan 7:	**General members:** Age 52 with 5 years of service. **Safety and Probation members:** Age 50 with 5 years of service.	
All Plans:	Member contributions must be left on deposit and the member must have terminated with five years of service or entered a reciprocal agency. Members (except for Plan 7) are eligible for service retirement when they would have reached eligibility if they would have remained in an active position.	
Monthly Allowance:		
All Plans Except 3:	Same as service retirement allowance; payable anytime after the member would have been eligible for service retirement.	(31703, 31704, 31705)
	If a terminated member dies before the effective date of the deferred retirement allowance, the member's accumulated contributions are paid to the estate or to the named beneficiary.	(31702)
Plan 3:	Same as service retirement allowance at normal retirement age 65 or in an actuarially equivalent reduced amount at early retirement, after age 55. No benefit is paid for death while deferred.	(31496)

COST-OF-LIVING INCREASES

Cost-of-living increases (or decreases) are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances effective April 1, based on changes in the Consumer Price Index (CPI) from the previous January 1 to the current January 1, to the nearest ½ of 1%. (31870, 31870.1, 31870.2, 31874.4)

Plan 1:	**General & Safety** Members (and their beneficiaries) are limited to a maximum 5% cost-of-living increase.	(31870.2)
	Probation Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase.	(31870.1)
Plan 2:	**All members** Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase.	(31870.1)
Plan 3:	**Plan 3** does not have a COLA.	(31487)
Other Plans:	**All members** Members (and their beneficiaries) are limited to a maximum 2% cost-of-living increase.	(31870)

COLA Bank

Plan 1:	When the CPI exceeds the applicable percentage (3% or 5%), the difference between the actual CPI and the maximum cost-of-living increase given in any year is credited to the COLA Accumulation (COLA Bank). It may be used in future years to provide cost-of-living increases when the CPI falls below the applicable percentage.	(31870.1, 31870.2)
Other Plans:	All other Plans do not have a COLA bank.	(31874.4)

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Appendix C: Valuation Data and Schedules

Data on SamCERA membership as of June 30, 2014 was supplied to us by the system staff. On the following table, Exhibit C-1, we present a summary of SamCERA membership at June 30, 2014 for active members. Similar information is shown in Exhibit C-2 for deferred vested members and Exhibits C-3a and C-3b for retired members.

Note that salary amounts shown are annualized amounts based on the biweekly pay for the period prior to the valuation date. If the annualized amount was less than the total prior earnings, total prior year earnings were used.

Additional statistical data on both active and retired members is shown in the following tables.

Exhibit C-4: Age, Service, Compensation Distribution of Active Members

Exhibit C-5: Age, Retirement Year, Benefit Amount and Plan Distribution of Retired Members

Exhibits C-4 and C-5 are shown for all plans combined as well as for classification separately.

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Exhibit C-1: SamCERA Membership – Active Members as of June 30, 2014

	Total Number	Annual Salary	Average Age	Average Monthly Salary	Average Credited Service
General Members					
Plan 1	30	$ 3,102,060	62.1	$ 8,617	32.8
Plan 2	863	78,537,755	54.3	7,584	23.1
Plan 3	117	8,845,803	46.9	6,300	11.1
Plan 4	2,509	206,938,609	45.9	6,873	9.7
Plan 5	266	22,062,988	39.2	6,912	1.9
Plan 7	487	33,431,343	35.8	5,721	0.7
Total	4,272	$ 352,918,558	46.2	$ 6,884	11.1
Safety Members					
Plan 1	3	$ 507,291	61.0	$ 14,091	32.7
Plan 2	98	13,160,856	51.0	11,191	22.6
Plan 4	280	32,192,987	43.6	9,581	9.8
Plan 5	45	4,837,504	37.5	8,958	1.5
Plan 6	1	172,577	44.0	14,381	1.6
Plan 7	25	2,103,260	34.5	7,011	1.0
Total	452	$ 52,974,475	44.2	$ 9,767	11.4
Probation Members					
Plan 1	1	$ 82,490	63.0	$ 6,874	31.8
Plan 2	57	5,266,282	48.2	7,699	21.2
Plan 4	202	16,778,253	41.4	6,922	11.4
Plan 5	6	425,987	31.8	5,916	1.5
Plan 6	2	125,177	32.0	5,216	1.6
Plan 7	12	836,154	31.9	5,807	0.6
Total	280	$ 23,514,343	42.2	$ 6,998	12.7
Grand Total	5,004	$ 429,407,375	45.8	$ 7,151	11.2

Exhibit C-2: SamCERA Membership – Deferred Vested Members as of June 30, 2014

	Number	Average Age
General Members		
Plan 1	16	61.4
Plan 2	411	52.2
Plan 3	96	53.9
Plan 4	639	45.4
Plan 5	11	41.1
Plan 7	8	33.3
Total	1,181	48.6
Safety Members		
Plan 1	1	63.0
Plan 2	28	49.5
Plan 4	44	44.9
Plan 5	3	37.7
Total	76	46.6
Probation Members		
Plan 1	-	-
Plan 2	13	45.2
Plan 4	32	40.7
Plan 5	2	31.0
Plan 6	-	-
Total	47	41.5
Grand Total	1,304	48.2

Exhibit C-3a: SamCERA Membership – Retired Members as of June 30, 2014

	Number	Average Age	Monthly Allowance	Average Monthly Benefit
General Members				
Plan 1	1,780	78.2	$ 5,330,280	$ 2,995
Plan 2	1,629	67.5	4,027,118	2,472
Plan 3	125	70.0	120,036	960
Plan 4	393	63.3	705,002	1,794
Total	3,927	72.0	$ 10,182,435	$ 2,593
Safety Members				
Plan 1	277	71.6	$ 1,760,915	$ 6,357
Plan 2	146	59.7	960,718	6,580
Plan 4	27	55.0	98,611	3,652
Total	450	66.7	$ 2,820,244	$ 6,267
Probation Members				
Plan 1	71	70.6	$ 362,783	$ 5,110
Plan 2	56	61.4	248,526	4,438
Plan 4	14	65.6	33,406	2,386
Total	141	66.4	$ 644,715	$ 4,572
Grand Total	4,518	71.3	$ 13,647,395	$ 3,021

Exhibit C-3b: SamCERA Membership – Retired Members as of June 30, 2014 Subtotaled by Class and Retirement Type

Plan	Retirement Type	Number		Monthly Benefit		Average Monthly Benefit
General Plans:						
	Healthy	3,116	$	8,525,097	$	2,736
	Disabled	322		799,348		2,482
	Beneficiaries	489		857,990		1,755
	Total	3,927	$	10,182,435	$	2,593
Safety Plans:						
	Healthy	281	$	2,018,849	$	7,185
	Disabled	100		537,054		5,371
	Beneficiaries	69		264,341		3,831
	Total	450	$	2,820,244	$	6,267
Probation Plans:						
	Healthy	128	$	587,923	$	4,593
	Disabled	6		22,634		3,772
	Beneficiaries	7		34,158		4,880
	Total	141	$	644,715	$	4,572
Grand Totals						
	Healthy	3,525	$	11,131,869	$	3,158
	Disabled	428		1,359,036		3,175
	Beneficiaries	565		1,156,490		2,047
	Total	4,518	$	13,647,395	$	3,021

Exhibit C-4: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2014
All Members

Count

Age	Years of Service 0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Total Count
Under 25	20	16	0	0	0	0	0	0	0	36
25-29	122	120	46	1	0	0	0	0	0	289
30-34	104	184	234	41	0	0	0	0	0	563
35-39	70	118	286	179	29	0	0	0	0	682
40-44	44	84	234	251	130	17	0	0	0	760
45-49	33	53	173	204	160	90	28	0	0	741
50-54	22	60	135	156	129	98	98	19	0	717
55-59	21	53	140	126	92	87	86	43	7	655
60-64	12	24	83	96	54	50	39	26	7	391
65 & Over	2	12	39	40	24	18	14	12	9	170
Total Count	450	724	1,370	1,094	618	360	265	100	23	5,004

Compensation

Age	Years of Service 0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Average Comp.
Under 25	54,235	59,797	-	-	-	-	-	-	-	56,707
25-29	62,736	69,687	71,087	64,160	-	-	-	-	-	66,956
30-34	63,830	77,860	79,843	66,410	-	-	-	-	-	75,258
35-39	77,831	81,245	84,013	85,043	86,270	-	-	-	-	83,266
40-44	84,736	96,716	87,987	86,239	92,290	85,260	-	-	-	88,861
45-49	75,244	99,180	90,943	90,629	93,219	92,724	104,695	-	-	91,974
50-54	84,454	92,185	88,862	86,385	96,184	88,652	104,725	85,561	-	91,835
55-59	86,103	91,751	86,932	79,288	92,457	90,985	93,810	95,845	102,405	88,793
60-64	73,453	86,034	83,971	84,228	92,630	96,686	87,681	93,440	105,122	88,038
65 & Over	89,164	93,568	82,239	82,225	91,569	81,082	95,914	85,137	102,573	86,719
Avg. Annual Compensation	70,583	83,142	85,144	84,996	93,087	90,811	98,206	91,981	103,298	85,813

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Exhibit C-4a: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2014 General Members

Count

Age	Years of Service 0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Total Count
Under 25	17	10	0	0	0	0	0	0	0	27
25-29	111	103	38	1	0	0	0	0	0	253
30-34	99	166	183	38	0	0	0	0	0	486
35-39	64	101	247	134	17	0	0	0	0	563
40-44	41	64	198	196	86	15	0	0	0	600
45-49	32	44	161	165	101	67	18	0	0	588
50-54	20	46	130	139	109	87	73	17	0	621
55-59	20	45	124	119	83	81	79	39	7	597
60-64	12	22	77	92	52	47	39	24	7	372
65 & Over	2	12	38	37	24	18	14	12	8	165
Total Count	418	613	1,196	921	472	315	223	92	22	4,272

Compensation

Age	Years of Service 0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Average Comp.
Under 25	50,735	52,321	-	-	-	-	-	-	-	51,322
25-29	61,825	67,456	67,822	64,160	-	-	-	-	-	65,028
30-34	63,441	75,442	76,042	63,104	-	-	-	-	-	72,259
35-39	79,207	76,452	82,513	81,688	71,806	-	-	-	-	80,530
40-44	83,767	89,966	85,185	82,911	85,261	79,555	-	-	-	84,725
45-49	74,254	94,313	89,874	89,189	84,124	84,021	85,449	-	-	87,374
50-54	83,461	84,266	88,914	84,105	94,864	84,916	95,696	79,495	-	88,341
55-59	86,774	85,726	82,868	78,008	88,421	89,717	89,702	92,544	102,405	85,712
60-64	73,453	82,942	81,048	83,840	92,192	92,974	87,681	92,728	105,122	86,572
65 & Over	89,164	93,568	81,570	80,521	91,569	81,082	95,914	85,137	97,123	85,931
Avg. Annual Compensation	70,215	78,801	83,098	82,564	88,391	86,688	91,357	89,215	101,349	82,612

Exhibit C-4b: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2014 Safety Members

Count

Age	Years of Service 0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Total Count
Under 25	3	4	0	0	0	0	0	0	0	7
25-29	4	15	4	0	0	0	0	0	0	23
30-34	3	15	28	3	0	0	0	0	0	49
35-39	4	15	17	18	7	0	0	0	0	61
40-44	2	20	20	24	24	1	0	0	0	91
45-49	1	8	9	16	32	14	7	0	0	87
50-54	1	14	2	11	9	8	17	2	0	64
55-59	1	8	15	3	8	4	6	4	0	49
60-64	0	2	6	2	2	3	0	1	0	16
65 & Over	0	0	1	3	0	0	0	0	1	5
Total Count	19	101	102	80	82	30	30	7	1	452

Compensation

Age	Years of Service 0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Average Comp.
Under 25	74,072	77,011	-	-	-	-	-	-	-	75,751
25-29	90,097	85,795	94,053	-	-	-	-	-	-	87,980
30-34	79,762	106,818	108,387	108,280	-	-	-	-	-	106,148
35-39	80,241	117,034	112,282	111,651	119,841	-	-	-	-	112,030
40-44	108,294	118,317	120,540	118,785	119,292	168,496	-	-	-	119,517
45-49	106,916	116,399	112,791	116,225	123,556	134,562	156,946	-	-	124,702
50-54	125,282	118,207	102,955	112,204	115,735	125,947	141,329	137,125	-	124,162
55-59	72,684	125,641	119,647	113,423	134,564	118,994	148,451	128,029	-	125,879
60-64	-	120,056	121,475	109,721	104,010	154,826	-	121,465	-	123,898
65 & Over	-	-	107,683	103,236	-	-	-	-	146,169	112,712
Avg. Annual Compensation	87,596	110,400	113,558	114,358	121,730	133,346	146,397	129,690	146,169	117,200

Exhibit C-4c: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2014 Probation Members

Count

Age	Years of Service 0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Total Count
Under 25	0	2	0	0	0	0	0	0	0	2
25-29	7	2	4	0	0	0	0	0	0	13
30-34	2	3	23	0	0	0	0	0	0	28
35-39	2	2	22	27	5	0	0	0	0	58
40-44	1	0	16	31	20	1	0	0	0	69
45-49	0	1	3	23	27	9	3	0	0	66
50-54	1	0	3	6	11	3	8	0	0	32
55-59	0	0	1	4	1	2	1	0	0	9
60-64	0	0	0	2	0	0	0	1	0	3
65 & Over	0	0	0	0	0	0	0	0	0	0
Total Count	13	10	72	93	64	15	12	1	0	280

Compensation

Age	Years of Service 0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Average Comp.
Under 25	-	62,746	-	-	-	-	-	-	-	62,746
25-29	61,542	63,751	79,141	-	-	-	-	-	-	67,297
30-34	59,196	66,858	75,329	-	-	-	-	-	-	73,269
35-39	28,991	54,898	79,016	83,955	88,450	-	-	-	-	79,572
40-44	77,333	-	81,968	82,083	90,111	87,596	-	-	-	84,394
45-49	-	175,573	82,772	83,157	91,282	92,439	98,251	-	-	89,815
50-54	63,487	-	77,182	91,867	93,267	97,543	109,336	-	-	94,984
55-59	-	-	100,217	91,771	90,542	86,351	90,542	-	-	91,232
60-64	-	-	-	76,596	-	-	-	82,490	-	78,561
65 & Over	-	-	-	-	-	-	-	-	-	-
Avg. Annual Compensation	57,538	73,894	78,876	83,822	91,024	92,325	104,999	82,490	-	83,980

Exhibit C-5: Distribution of Retired Members by Age and Retirement Year as of June 30, 2014 All Plans Combined

Age	Retirement Year								Total	Average Monthly
	Pre-1979	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	Count	Benefit
Under 35	-	1	-	-	3	2	1	2	9	$ 2,044
35-39	-	-	-	-	-	1	1	2	4	1,406
40-44	-	-	-	1	-	1	6	5	13	3,347
45-49	-	-	2	1	1	7	10	12	33	2,703
50-54	1	-	-	1	12	11	17	105	147	2,803
55-59	-	-	-	3	8	25	105	171	312	3,400
60-64	-	-	3	13	23	104	242	308	693	3,484
65-69	2	5	8	29	93	186	322	268	913	3,626
70-74	1	5	22	85	164	220	243	95	835	3,271
75-79	9	14	52	122	135	133	47	15	527	2,695
80-84	16	44	65	112	123	31	16	3	410	2,196
85-89	36	68	96	97	21	4	3	1	326	2,059
90-94	47	74	79	18	6	-	-	-	224	1,967
95-99	25	24	12	2	1	-	-	-	64	1,686
100 & Over	5	3	-	-	-	-	-	-	8	1,666
Total Count	142	238	339	484	590	725	1,013	987	**4,518**	
Avg Monthly Benefit	$ 1,731	$ 1,635	$ 2,160	$ 2,193	$ 2,407	$ 3,111	$ 3,982	$ 3,555		$ 3,021

Exhibit C-5a: Distribution of Retired Members by Age and Retirement Year as of June 30, 2014 General Plans Combined

Age	Retirement Year: Pre-1979	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	Total Count	Average Monthly Benefit
Under 35	-	1	-	-	3	2	1	2	9	$ 2,044
35-39	-	-	-	-	-	1	-	1	2	2,812
40-44	-	-	-	1	-	1	4	4	10	2,548
45-49	-	-	2	1	-	4	7	9	23	2,034
50-54	1	-	-	-	10	7	11	76	105	1,576
55-59	-	-	-	1	6	17	77	136	237	2,314
60-64	-	-	2	10	19	97	201	274	603	2,930
65-69	2	3	4	16	83	122	295	258	783	3,202
70-74	-	3	12	67	102	181	233	89	687	2,880
75-79	4	14	42	106	123	124	46	14	473	2,395
80-84	12	41	58	111	121	29	16	3	391	2,093
85-89	33	62	95	97	21	4	3	1	316	2,005
90-94	41	74	79	18	6	-	-	-	218	1,905
95-99	24	24	11	2	1	-	-	-	62	1,708
100 & Over	5	3	-	-	-	-	-	-	8	1,666
Total Count	122	225	305	430	495	589	894	867	**3,927**	
Avg Monthly Benefit	$ 1,450	$ 1,538	$ 1,984	$ 1,893	$ 1,896	$ 2,510	$ 3,529	$ 3,078		$ 2,593

Exhibit C-5b: Distribution of Retired Members by Age and Retirement Year as of June 30, 2014
Safety Plans Combined

Age	Retirement Year: Pre-1979	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	Total Count	Average Monthly Benefit
Under 35	-	-	-	-	-	-	-	-	-	$ -
35-39	-	-	-	-	-	-	1	1	2	-
40-44	-	-	-	-	-	-	2	1	3	6,010
45-49	-	-	-	-	1	2	3	3	9	3,837
50-54	-	-	-	1	2	4	6	21	34	6,208
55-59	-	-	-	2	2	5	22	22	53	7,802
60-64	-	-	1	3	4	6	31	22	67	7,907
65-69	-	2	4	13	8	55	16	4	102	6,519
70-74	1	2	10	17	45	24	3	4	106	5,429
75-79	5	-	10	15	9	1	1	-	41	5,652
80-84	4	3	7	1	-	-	-	-	15	4,575
85-89	3	6	1	-	-	-	-	-	10	3,767
90-94	6	-	-	-	-	-	-	-	6	4,190
95-99	1	-	1	-	-	-	-	-	2	998
100 & Over	-	-	-	-	-	-	-	-	-	-
Total Count	20	13	34	52	71	97	85	78	**450**	
Avg Monthly Benefit	$ 3,440	$ 3,309	$ 3,743	$ 4,443	$ 5,190	$ 6,592	$ 8,499	$ 7,947		$ 6,267

San Mateo County Employees' Retirement Association

Exhibit C-5c: Distribution of Retired Members by Age and Retirement Year as of June 30, 2014
Probation Plans Combined

Age	Retirement Year: Pre-1979	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	Total Count	Average Monthly Benefit
Under 35	-	-	-	-	-	-	-	-	-	$ -
35-39	-	-	-	-	-	-	-	-	-	-
40-44	-	-	-	-	-	-	-	-	-	-
45-49	-	-	-	-	-	1	-	-	1	7,883
50-54	-	-	-	-	-	-	-	8	8	4,445
55-59	-	-	-	-	-	3	6	13	22	4,489
60-64	-	-	-	-	-	1	10	12	23	5,139
65-69	-	-	-	-	2	9	11	6	28	4,943
70-74	-	-	-	1	17	15	7	2	42	4,212
75-79	-	-	-	1	3	8	-	1	13	4,294
80-84	-	-	-	-	2	2	-	-	4	3,288
85-89	-	-	-	-	-	-	-	-	-	-
90-94	-	-	-	-	-	-	-	-	-	-
95-99	-	-	-	-	-	-	-	-	-	-
100 & Over	-	-	-	-	-	-	-	-	-	-
Total Count	-	-	-	2	24	39	34	42	**141**	
Avg Monthly Benefit	$ -	$ -	$ -	$ 8,121	$ 4,715	$ 3,526	$ 4,608	$ 5,265		$ 4,572

Appendix D: Member Contribution Rates

This section illustrates the member basic contribution rates and 50% COLA sharing contribution rates by entry age for Plans 1 through 6. For different COLA sharing percentages, the 50% COLA contribution rates may be adjusted ratably, and should be rounded to two decimal places.

Member contribution rates for Plan 7 are not defined by entry age. Plan 7 members contribute 50% of the total Normal Cost rate. For the 2015-2016 fiscal year, Plan 7 member contribution rates are:

- General Plan 7 members: 7.92%
- SMCM & VCD Plan 7 members: 6.51%
- Safety Plan 7 members: 14.64%
- Probation Plan 7 members: 13.42%

Please refer to Appendix B for a detailed description of member contribution rates.

Exhibit D-1: General Member Contribution Rates (including SMCM&VCD)

	Basic Member Rates - General				Basic Member Rates - SMCM&VCD			
Entry Age [1]	Plans 1&2	Plan 4	Plan 5	Plan 7	Plans 1&2	Plan 4	Plan 5	Plan 7
16	5.37%	5.17%	4.43%	7.92%	5.37%	5.17%	4.43%	6.51%
17	5.47%	5.27%	4.52%	7.92%	5.47%	5.27%	4.52%	6.51%
18	5.58%	5.36%	4.60%	7.92%	5.58%	5.36%	4.60%	6.51%
19	5.68%	5.46%	4.69%	7.92%	5.68%	5.46%	4.69%	6.51%
20	5.79%	5.56%	4.78%	7.92%	5.79%	5.56%	4.78%	6.51%
21	5.89%	5.67%	4.87%	7.92%	5.89%	5.67%	4.87%	6.51%
22	6.00%	5.77%	4.96%	7.92%	6.00%	5.77%	4.96%	6.51%
23	6.11%	5.88%	5.05%	7.92%	6.11%	5.88%	5.05%	6.51%
24	6.22%	5.99%	5.15%	7.92%	6.22%	5.99%	5.15%	6.51%
25	6.34%	6.10%	5.24%	7.92%	6.34%	6.10%	5.24%	6.51%
26	6.46%	6.21%	5.34%	7.92%	6.46%	6.21%	5.34%	6.51%
27	6.57%	6.32%	5.44%	7.92%	6.57%	6.32%	5.44%	6.51%
28	6.69%	6.44%	5.54%	7.92%	6.69%	6.44%	5.54%	6.51%
29	6.82%	6.56%	5.64%	7.92%	6.82%	6.56%	5.64%	6.51%
30	6.94%	6.68%	5.75%	7.92%	6.94%	6.68%	5.75%	6.51%
31	7.07%	6.80%	5.85%	7.92%	7.07%	6.80%	5.85%	6.51%
32	7.20%	6.92%	5.96%	7.92%	7.20%	6.92%	5.96%	6.51%
33	7.33%	7.05%	6.07%	7.92%	7.33%	7.05%	6.07%	6.51%
34	7.46%	7.18%	6.18%	7.92%	7.46%	7.18%	6.18%	6.51%
35	7.60%	7.31%	6.29%	7.92%	7.60%	7.31%	6.29%	6.51%
36	7.74%	7.44%	6.41%	7.92%	7.74%	7.44%	6.41%	6.51%
37	7.88%	7.58%	6.52%	7.92%	7.88%	7.58%	6.52%	6.51%
38	8.03%	7.72%	6.64%	7.92%	8.03%	7.72%	6.64%	6.51%
39	8.18%	7.87%	6.76%	7.92%	8.18%	7.87%	6.76%	6.51%
40	8.33%	8.01%	6.89%	7.92%	8.33%	8.01%	6.89%	6.51%
41	8.49%	8.16%	7.01%	7.92%	8.49%	8.16%	7.01%	6.51%
42	8.66%	8.31%	7.14%	7.92%	8.66%	8.31%	7.14%	6.51%
43	8.82%	8.46%	7.28%	7.92%	8.82%	8.46%	7.28%	6.51%
44	8.97%	8.60%	7.41%	7.92%	8.97%	8.60%	7.41%	6.51%
45	9.13%	8.74%	7.55%	7.92%	9.13%	8.74%	7.55%	6.51%
46	9.29%	8.87%	7.69%	7.92%	9.29%	8.87%	7.69%	6.51%
47	9.43%	8.99%	7.83%	7.92%	9.43%	8.99%	7.83%	6.51%
48	9.57%	9.10%	7.97%	7.92%	9.57%	9.10%	7.97%	6.51%
49	9.70%	9.20%	8.10%	7.92%	9.70%	9.20%	8.10%	6.51%
50	9.82%	9.27%	8.23%	7.92%	9.82%	9.27%	8.23%	6.51%
51	9.92%	9.32%	8.36%	7.92%	9.92%	9.32%	8.36%	6.51%
52	9.99%	9.32%	8.47%	7.92%	9.99%	9.32%	8.47%	6.51%
53	10.02%	9.62%	8.58%	7.92%	10.02%	9.62%	8.58%	6.51%
54	10.02%	9.96%	8.67%	7.92%	10.02%	9.96%	8.67%	6.51%
55	10.02%	9.96%	8.74%	7.92%	10.02%	9.96%	8.74%	6.51%
56	10.02%	9.96%	8.78%	7.92%	10.02%	9.96%	8.78%	6.51%
57	10.02%	9.96%	8.78%	7.92%	10.02%	9.96%	8.78%	6.51%
58	10.02%	9.96%	9.07%	7.92%	10.02%	9.96%	9.07%	6.51%
59	10.02%	9.96%	9.38%	7.92%	10.02%	9.96%	9.38%	6.51%
60	10.02%	9.96%	9.38%	7.92%	10.02%	9.96%	9.38%	6.51%

[1] *For General and SMCM&VCD members (except plan 5 members) entering after age 55, the rate equals the rate at age 55. For General and SMCM&VCD plan 5 members entering after age 60, the rate equals the rate at age 60.*

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Exhibit D-2: Safety Member Contribution Rates

Entry Age [1]	Basic Member Rates Plans 1&2	Plans 4&5&6	Plan 7
16	7.32%	7.04%	14.64%
17	7.45%	7.17%	14.64%
18	7.59%	7.30%	14.64%
19	7.73%	7.44%	14.64%
20	7.87%	7.57%	14.64%
21	8.02%	7.71%	14.64%
22	8.16%	7.85%	14.64%
23	8.31%	8.00%	14.64%
24	8.47%	8.14%	14.64%
25	8.62%	8.29%	14.64%
26	8.78%	8.44%	14.64%
27	8.94%	8.60%	14.64%
28	9.10%	8.75%	14.64%
29	9.27%	8.91%	14.64%
30	9.44%	9.08%	14.64%
31	9.61%	9.24%	14.64%
32	9.79%	9.42%	14.64%
33	9.97%	9.59%	14.64%
34	10.16%	9.77%	14.64%
35	10.35%	9.95%	14.64%
36	10.55%	10.14%	14.64%
37	10.75%	10.32%	14.64%
38	10.95%	10.50%	14.64%
39	11.15%	10.68%	14.64%
40	11.34%	10.85%	14.64%
41	11.53%	11.02%	14.64%
42	11.72%	11.17%	14.64%
43	11.89%	11.31%	14.64%
44	12.05%	11.42%	14.64%
45	12.19%	11.52%	14.64%
46	12.32%	11.57%	14.64%
47	12.41%	11.57%	14.64%
48	12.44%	11.95%	14.64%
49	12.44%	12.37%	14.64%
50	12.44%	12.37%	14.64%

[1] *For Safety members entering after age 50, the rate equals the rate at age 50.*

Exhibit D-3: Probation Member Contribution Rates

	Basic Member Rates - PDA [2]			Basic Member Rates - Probation Managers [3]		
Entry Age [1]	Plans 1&2	Plans 4&5&6	Plan 7	Plans 1&2	Plans 4&5&6	Plan 7
16	5.86%	5.63%	13.42%	7.32%	7.04%	13.42%
17	5.96%	5.74%	13.42%	7.45%	7.17%	13.42%
18	6.07%	5.84%	13.42%	7.59%	7.30%	13.42%
19	6.19%	5.95%	13.42%	7.73%	7.44%	13.42%
20	6.30%	6.06%	13.42%	7.87%	7.57%	13.42%
21	6.41%	6.17%	13.42%	8.02%	7.71%	13.42%
22	6.53%	6.28%	13.42%	8.16%	7.85%	13.42%
23	6.65%	6.40%	13.42%	8.31%	8.00%	13.42%
24	6.77%	6.51%	13.42%	8.47%	8.14%	13.42%
25	6.90%	6.63%	13.42%	8.62%	8.29%	13.42%
26	7.02%	6.75%	13.42%	8.78%	8.44%	13.42%
27	7.15%	6.88%	13.42%	8.94%	8.60%	13.42%
28	7.28%	7.00%	13.42%	9.10%	8.75%	13.42%
29	7.41%	7.13%	13.42%	9.27%	8.91%	13.42%
30	7.55%	7.26%	13.42%	9.44%	9.08%	13.42%
31	7.69%	7.40%	13.42%	9.61%	9.24%	13.42%
32	7.83%	7.53%	13.42%	9.79%	9.42%	13.42%
33	7.98%	7.67%	13.42%	9.97%	9.59%	13.42%
34	8.13%	7.82%	13.42%	10.16%	9.77%	13.42%
35	8.28%	7.96%	13.42%	10.35%	9.95%	13.42%
36	8.44%	8.11%	13.42%	10.55%	10.14%	13.42%
37	8.60%	8.26%	13.42%	10.75%	10.32%	13.42%
38	8.76%	8.40%	13.42%	10.95%	10.50%	13.42%
39	8.92%	8.54%	13.42%	11.15%	10.68%	13.42%
40	9.07%	8.68%	13.42%	11.34%	10.85%	13.42%
41	9.23%	8.81%	13.42%	11.53%	11.02%	13.42%
42	9.37%	8.93%	13.42%	11.72%	11.17%	13.42%
43	9.51%	9.04%	13.42%	11.89%	11.31%	13.42%
44	9.64%	9.14%	13.42%	12.05%	11.42%	13.42%
45	9.75%	9.21%	13.42%	12.19%	11.52%	13.42%
46	9.85%	9.26%	13.42%	12.32%	11.57%	13.42%
47	9.92%	9.26%	13.42%	12.41%	11.57%	13.42%
48	9.95%	9.56%	13.42%	12.44%	11.95%	13.42%
49	9.95%	9.89%	13.42%	12.44%	12.37%	13.42%
50	9.95%	9.89%	13.42%	12.44%	12.37%	13.42%

(1) *For Probation members entering after age 50, the rate equals the rate at age 50.*

(2) *PDA basic member rates reflect 20% pickup.*

(3) *Probation manager basic member contribution rates except Plan 7 are based on rates in corresponding Safety Plan.*

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Exhibit D-4: General Member Contribution Rates (including SMCM&VCD)

	25% Member COLA Rates				50% Member COLA Rates			
Entry Age [1]	Plan 1	Plan 2	Plan 4	Plan 5	Plan 1	Plan 2	Plan 4	Plan 5
16	1.05%	0.90%	0.60%	0.49%	2.10%	1.81%	1.19%	0.98%
17	1.07%	0.92%	0.61%	0.50%	2.14%	1.84%	1.21%	1.00%
18	1.09%	0.94%	0.62%	0.51%	2.19%	1.88%	1.23%	1.02%
19	1.11%	0.96%	0.63%	0.52%	2.23%	1.91%	1.26%	1.04%
20	1.13%	0.97%	0.64%	0.53%	2.27%	1.95%	1.28%	1.06%
21	1.15%	0.99%	0.65%	0.54%	2.31%	1.98%	1.31%	1.08%
22	1.18%	1.01%	0.66%	0.55%	2.35%	2.02%	1.33%	1.10%
23	1.20%	1.03%	0.68%	0.56%	2.39%	2.06%	1.35%	1.12%
24	1.22%	1.05%	0.69%	0.57%	2.44%	2.09%	1.38%	1.14%
25	1.24%	1.07%	0.70%	0.58%	2.48%	2.13%	1.40%	1.16%
26	1.27%	1.09%	0.71%	0.59%	2.53%	2.17%	1.43%	1.18%
27	1.29%	1.11%	0.73%	0.60%	2.57%	2.21%	1.45%	1.20%
28	1.31%	1.13%	0.74%	0.61%	2.62%	2.25%	1.48%	1.23%
29	1.34%	1.15%	0.76%	0.62%	2.67%	2.29%	1.51%	1.25%
30	1.36%	1.17%	0.77%	0.64%	2.72%	2.33%	1.54%	1.27%
31	1.39%	1.19%	0.78%	0.65%	2.77%	2.38%	1.57%	1.30%
32	1.41%	1.21%	0.80%	0.66%	2.82%	2.42%	1.59%	1.32%
33	1.44%	1.23%	0.81%	0.67%	2.87%	2.47%	1.62%	1.34%
34	1.46%	1.25%	0.83%	0.68%	2.92%	2.51%	1.65%	1.37%
35	1.49%	1.28%	0.84%	0.70%	2.98%	2.56%	1.68%	1.39%
36	1.52%	1.30%	0.86%	0.71%	3.03%	2.60%	1.71%	1.42%
37	1.54%	1.33%	0.87%	0.72%	3.09%	2.65%	1.74%	1.44%
38	1.57%	1.35%	0.89%	0.74%	3.15%	2.70%	1.78%	1.47%
39	1.60%	1.38%	0.91%	0.75%	3.21%	2.75%	1.81%	1.50%
40	1.63%	1.40%	0.92%	0.76%	3.26%	2.80%	1.84%	1.53%
41	1.66%	1.43%	0.94%	0.78%	3.33%	2.86%	1.88%	1.55%
42	1.70%	1.46%	0.96%	0.79%	3.39%	2.91%	1.91%	1.58%
43	1.73%	1.48%	0.97%	0.81%	3.46%	2.97%	1.95%	1.61%
44	1.76%	1.51%	0.99%	0.82%	3.52%	3.02%	1.98%	1.64%
45	1.79%	1.54%	1.01%	0.84%	3.58%	3.07%	2.01%	1.67%
46	1.82%	1.56%	1.02%	0.85%	3.64%	3.13%	2.04%	1.70%
47	1.85%	1.59%	1.03%	0.87%	3.70%	3.17%	2.07%	1.73%
48	1.88%	1.61%	1.05%	0.88%	3.75%	3.22%	2.09%	1.76%
49	1.90%	1.63%	1.06%	0.90%	3.80%	3.26%	2.12%	1.79%
50	1.92%	1.65%	1.07%	0.91%	3.85%	3.30%	2.13%	1.82%
51	1.94%	1.67%	1.07%	0.93%	3.89%	3.34%	2.15%	1.85%
52	1.96%	1.68%	1.07%	0.94%	3.92%	3.36%	2.15%	1.88%
53	1.96%	1.69%	1.11%	0.95%	3.93%	3.37%	2.21%	1.90%
54	1.96%	1.69%	1.15%	0.96%	3.93%	3.37%	2.29%	1.92%
55	1.96%	1.69%	1.15%	0.97%	3.93%	3.37%	2.29%	1.94%
56	1.96%	1.69%	1.15%	0.97%	3.93%	3.37%	2.29%	1.94%
57	1.96%	1.69%	1.15%	0.97%	3.93%	3.37%	2.29%	1.94%
58	1.96%	1.69%	1.15%	1.00%	3.93%	3.37%	2.29%	2.01%
59	1.96%	1.69%	1.15%	1.04%	3.93%	3.37%	2.29%	2.08%
60	1.96%	1.69%	1.15%	1.04%	3.93%	3.37%	2.29%	2.08%

(1) *For County General members (except plan 5 members) entering after age 55, the rate equals the rate at age 55. For County General plan 5 members entering after age 60, the rate equals the rate at age 60.*

Exhibit D-5: Safety Member Contribution Rates

	25% Member COLA Rates				50% Member COLA Rates			
Entry Age (1)	Plans 1&2	Plan 4	Plan 5	Plan 6	Plans 1&2	Plan 4	Plan 5	Plan 6
16	2.12%	1.20%	1.08%	0.99%	4.24%	2.39%	2.16%	1.98%
17	2.16%	1.22%	1.10%	1.01%	4.32%	2.44%	2.20%	2.02%
18	2.20%	1.24%	1.12%	1.03%	4.40%	2.48%	2.24%	2.05%
19	2.24%	1.26%	1.14%	1.05%	4.48%	2.53%	2.29%	2.09%
20	2.28%	1.29%	1.16%	1.06%	4.56%	2.57%	2.33%	2.13%
21	2.32%	1.31%	1.19%	1.08%	4.65%	2.62%	2.37%	2.17%
22	2.36%	1.33%	1.21%	1.10%	4.73%	2.67%	2.41%	2.21%
23	2.41%	1.36%	1.23%	1.12%	4.82%	2.72%	2.46%	2.25%
24	2.45%	1.38%	1.25%	1.14%	4.91%	2.77%	2.50%	2.29%
25	2.50%	1.41%	1.27%	1.17%	5.00%	2.82%	2.55%	2.33%
26	2.54%	1.43%	1.30%	1.19%	5.09%	2.87%	2.59%	2.37%
27	2.59%	1.46%	1.32%	1.21%	5.18%	2.92%	2.64%	2.42%
28	2.64%	1.49%	1.34%	1.23%	5.27%	2.97%	2.69%	2.46%
29	2.69%	1.51%	1.37%	1.25%	5.37%	3.03%	2.74%	2.51%
30	2.74%	1.54%	1.40%	1.28%	5.47%	3.08%	2.79%	2.55%
31	2.78%	1.57%	1.42%	1.30%	5.57%	3.14%	2.84%	2.60%
32	2.84%	1.60%	1.45%	1.32%	5.67%	3.20%	2.90%	2.65%
33	2.89%	1.63%	1.47%	1.35%	5.78%	3.26%	2.95%	2.70%
34	2.94%	1.66%	1.50%	1.37%	5.89%	3.32%	3.00%	2.75%
35	3.00%	1.69%	1.53%	1.40%	6.00%	3.38%	3.06%	2.80%
36	3.06%	1.72%	1.56%	1.43%	6.11%	3.44%	3.12%	2.85%
37	3.12%	1.75%	1.59%	1.45%	6.23%	3.51%	3.17%	2.90%
38	3.17%	1.78%	1.61%	1.48%	6.35%	3.57%	3.23%	2.95%
39	3.23%	1.81%	1.64%	1.50%	6.46%	3.63%	3.28%	3.00%
40	3.29%	1.84%	1.67%	1.53%	6.57%	3.69%	3.34%	3.05%
41	3.34%	1.87%	1.69%	1.55%	6.68%	3.74%	3.39%	3.10%
42	3.40%	1.90%	1.72%	1.57%	6.79%	3.79%	3.43%	3.14%
43	3.45%	1.92%	1.74%	1.59%	6.89%	3.84%	3.48%	3.18%
44	3.49%	1.94%	1.76%	1.61%	6.98%	3.88%	3.51%	3.21%
45	3.53%	1.96%	1.77%	1.62%	7.07%	3.91%	3.54%	3.24%
46	3.57%	1.97%	1.78%	1.63%	7.14%	3.93%	3.56%	3.25%
47	3.60%	1.97%	1.78%	1.63%	7.19%	3.93%	3.56%	3.25%
48	3.61%	2.03%	1.84%	1.68%	7.21%	4.06%	3.67%	3.36%
49	3.61%	2.10%	1.90%	1.74%	7.21%	4.20%	3.80%	3.48%
50	3.61%	2.10%	1.90%	1.74%	7.21%	4.20%	3.80%	3.48%

(1) *For Safety members entering after age 50, the rate equals the rate at age 50.*

San Mateo County Employees'
Retirement Association

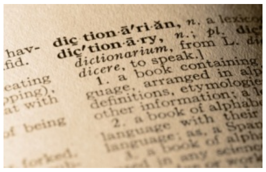
Exhibit D-6: Probation Member Contribution Rates

	25% Member COLA Rates - PDA [(2)]				50% Member COLA Rates - PDA [(2)]			
Entry Age [(1)]	**Plans 1&2**	**Plan 4**	**Plan 5**	**Plan 6**	**Plans 1&2**	**Plan 4**	**Plan 5**	**Plan 6**
16	1.98%	1.17%	1.09%	0.94%	3.96%	2.34%	2.18%	1.88%
17	2.01%	1.19%	1.11%	0.96%	4.02%	2.39%	2.22%	1.91%
18	2.05%	1.21%	1.13%	0.97%	4.10%	2.43%	2.26%	1.95%
19	2.09%	1.24%	1.15%	0.99%	4.18%	2.47%	2.30%	1.98%
20	2.13%	1.26%	1.17%	1.01%	4.25%	2.52%	2.34%	2.02%
21	2.16%	1.28%	1.19%	1.03%	4.33%	2.56%	2.39%	2.06%
22	2.20%	1.30%	1.21%	1.05%	4.41%	2.61%	2.43%	2.09%
23	2.24%	1.33%	1.24%	1.07%	4.49%	2.66%	2.47%	2.13%
24	2.28%	1.35%	1.26%	1.09%	4.57%	2.71%	2.52%	2.17%
25	2.33%	1.38%	1.28%	1.11%	4.66%	2.76%	2.56%	2.21%
26	2.37%	1.40%	1.30%	1.13%	4.74%	2.81%	2.61%	2.25%
27	2.41%	1.43%	1.33%	1.15%	4.83%	2.86%	2.66%	2.29%
28	2.46%	1.45%	1.35%	1.17%	4.91%	2.91%	2.71%	2.33%
29	2.50%	1.48%	1.38%	1.19%	5.00%	2.96%	2.76%	2.38%
30	2.55%	1.51%	1.40%	1.21%	5.10%	3.02%	2.81%	2.42%
31	2.60%	1.54%	1.43%	1.23%	5.19%	3.08%	2.86%	2.47%
32	2.64%	1.56%	1.46%	1.26%	5.29%	3.13%	2.91%	2.51%
33	2.69%	1.59%	1.48%	1.28%	5.39%	3.19%	2.97%	2.56%
34	2.74%	1.62%	1.51%	1.30%	5.49%	3.25%	3.02%	2.61%
35	2.79%	1.65%	1.54%	1.33%	5.59%	3.31%	3.08%	2.65%
36	2.85%	1.69%	1.57%	1.35%	5.70%	3.37%	3.14%	2.70%
37	2.90%	1.72%	1.60%	1.38%	5.81%	3.43%	3.19%	2.75%
38	2.96%	1.75%	1.62%	1.40%	5.91%	3.49%	3.25%	2.80%
39	3.01%	1.77%	1.65%	1.42%	6.02%	3.55%	3.30%	2.85%
40	3.06%	1.80%	1.68%	1.45%	6.12%	3.61%	3.36%	2.89%
41	3.12%	1.83%	1.70%	1.47%	6.23%	3.66%	3.41%	2.94%
42	3.16%	1.86%	1.73%	1.49%	6.32%	3.71%	3.45%	2.98%
43	3.21%	1.88%	1.75%	1.51%	6.42%	3.76%	3.49%	3.01%
44	3.25%	1.90%	1.77%	1.52%	6.51%	3.80%	3.53%	3.05%
45	3.29%	1.91%	1.78%	1.54%	6.58%	3.83%	3.56%	3.07%
46	3.32%	1.92%	1.79%	1.54%	6.65%	3.85%	3.58%	3.09%
47	3.35%	1.92%	1.79%	1.54%	6.70%	3.85%	3.58%	3.09%
48	3.36%	1.99%	1.85%	1.59%	6.72%	3.97%	3.70%	3.19%
49	3.36%	2.06%	1.91%	1.65%	6.72%	4.11%	3.82%	3.30%
50	3.36%	2.06%	1.91%	1.65%	6.72%	4.11%	3.82%	3.30%

(1) *For Probation members entering after age 50, the rate equals the rate at age 50.*

(2) *Probation Manager member COLA rates are based on rates in corresponding Safety Plan (shown in Appendix D-5)*

Appendix E: Glossary



The following definitions include excerpts from a list adopted by the major actuarial organizations in the United States. In some cases, the definitions have been modified for specific applicability to SamCERA and include terms used exclusively by SamCERA. Defined terms are capitalized throughout this Appendix.

Accrued Benefit The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.

Actuarial Accrued Liability That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.

Actuarial Assumptions Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.

Actuarial Gain (Loss) A measure of the difference between actual experience and that expected based on a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial Present Value The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Actuarial Valuation The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

Actuarial Value of Assets The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

Actuarially Equivalent Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Amortization Payment That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

COLA Cost of living adjustments to benefit payments are made each April 1. See full description in Appendix B.

Employer Reserve	The accumulation of employer contributions for future retirement benefit payments. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members and survivors, lump sum death benefit payments to member survivors, and supplemental disability payments.
Entry Age Actuarial Cost Method	A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.
Funded Ratio	A measurement of the funded status of the system. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. For example, a Funded Ratio of 90% indicates assets are 10% less than liabilities.
Member Reserve	The accumulation of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees and refunds to members.
Non-Valuation Reserves	Reserves excluded from the calculation of contribution rates.
Normal Cost	That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
Plan Year	A 12-month period beginning July 1 and ending June 30.
Projected Benefits	Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.
Unfunded Actuarial Accrued Liability	The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
Valuation Date	The date upon which the Normal Cost, Actuarial Accrued Liability, and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the ending of a Plan Year.
Valuation Reserves	All reserves excluding the Non-Valuation Reserves.

September 30, 2014 Agenda Item 5.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Presentation of the June 30, 2014, Actuarial Valuation Audit by the Segal Company

Staff Recommendation

Under this agenda item, Paul Angelo and Andy Yeung of the Segal Company will present the results of their audit of the June 30, 2014, Actuarial Valuation as produced by Milliman, Inc. This is an information-only item.

Background

Segal noted in their audit report that, "Our audit confirms that the results of the actuarial calculations as of June 30, 2014 are reasonable, and that those calculations are based on generally accepted actuarial principles and practices." The overriding purpose of the valuation audit was to verify the calculations completed by Milliman and to offer comments on the methodology and the results of their actuarial valuation.

Segal noted further that:

- The valuation results were prepared using the actuarial assumptions approved by the Board for the 2014 valuation. Segal has previously reviewed those assumptions and found them to be reasonable and in accordance with generally accepted actuarial standards and principles.
- Segal's present value of future benefits is 100% of Milliman's present value of future benefits. This key result is the basis for all other liability and cost calculations in the valuation.

Segal drilled deeply into the actuarial processes used by Milliman and made some recommendations for improvement, including the following:

- Segal noted that assets have been maintained by SamCERA only on a combined basis for all plans. The allocation of the assets among the General, Safety and Probation membership groups is needed for the valuation, so Milliman estimates this allocation from available data. Segal recommended that SamCERA and Milliman explore for the next valuation having SamCERA's pension and accounting system maintain the asset share.

- In order to better reflect the true cost of providing retirement benefits to the three membership classes, Segal recommended allocating the contributions to the CSCA in the same proportion as the UAAL is attributed to the three classes of employees.
- Adopting separate merit and promotional assumptions for General, Safety and Probation members should result in a better allocation of the cost of providing benefits among the membership classes.

Staff believes that Segal's work was detailed and thorough, was very helpful during the preparation of this year's valuation and that their comments and recommendations will improve future valuations.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Audit of June 30, 2014 Actuarial Valuation

Segal Consulting

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SEPTEMBER 2014

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September 23, 2014

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, California 94065-5208

Re: Audit of June 30, 2014 Actuarial Valuation

Dear Members of the Board:

We are pleased to present the results of our audit of the June 30, 2014 Actuarial Valuation for the San Mateo County Employees' Retirement Association (*SamCERA*). The purpose of this audit was to verify the calculations completed by Milliman and to offer comments on the methodology and the results of their actuarial valuation.

This review was conducted by Paul Angelo, a Fellow of the Society of Actuaries, Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA, and Andy Yeung, an Associate of the Society of Actuaries, Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA. This review was conducted in accordance with the standards of practice prescribed by the Actuarial Standards Board.

The assistance of Milliman and *SamCERA* is gratefully acknowledged. We appreciate the opportunity to be of service to *SamCERA*'s Board of Retirement, and we are available to answer any questions you may have on this report.

We are Members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Associate Actuary

EKj/bqb

cc: Nick Collier, ASA, MAAA, EA
Craig Glyde, ASA, MAAA, EA

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This report has been prepared by Segal Consulting (Segal) to present an audit of the June 30, 2014 Actuarial Valuation performed by Milliman for *SamCERA*. As described in *SamCERA*'s RFP for actuarial audit services, the scope of our audit is to review the liabilities and the contribution rates for the eighteen Plans that were included in *SamCERA*'s June 30, 2014 Actuarial Valuation Report.

Summary of Results

This audit report includes an independent reproduction of the detailed valuation results that appear in the June 30, 2014 valuation report prepared by Milliman. This audit was based on actuarial reports, employee data and supplemental information provided by both *SamCERA* and Milliman.

We have performed this actuarial audit of *SamCERA*'s June 30, 2014 Actuarial Valuation to provide assurance to *SamCERA*'s Board of Retirement that the actuarial calculations are reasonable and that the actuarial process was conducted according to generally accepted actuarial principles and practices. ***Our audit confirms that the results of the actuarial calculations as of June 30, 2014 are reasonable, and that those calculations are based on generally accepted actuarial principles and practices.***

The following is a high-level summary of the results from our audit of the June 30, 2014 Actuarial Valuation:

- The valuation results were prepared using the actuarial assumptions approved by the Board for the 2014 valuation. Segal has previously reviewed those assumptions and found that Milliman had employed generally accepted actuarial practices and principles in studying plan experience, selecting assumptions, computing employer contribution rates, and presenting the results of their work.
- The demographic data used in the 2014 valuation by Milliman was primarily that supplied by *SamCERA*. It included only minimal changes made by Milliman.
- Segal's present value of future benefits is 100% of Milliman's present value of future benefits. This key result is the basis for all other liability and cost calculations in the valuation.

- Segal's total employer contribution rate is 34.90% of payroll and Milliman's total employer contribution rate is 35.56% of payroll. The total employer contribution rate calculated by Segal is about 98% of that calculated by Milliman. It should be noted that we observed a comparable difference at the last audit as of June 30, 2011. This kind of difference can generally be explained by differences in procedures and methods used by Segal and Milliman in allocating the present value of future benefit between past actuarial accrued liability and future normal cost.

- Segal's individual entry age based member contribution rates are about 99% of those that Milliman included in Exhibit D of the 2014 Actuarial Valuation Report.

- In early 2014, the Retirement Board and the County entered into a Memorandum of Understanding (MOU) so that the County would be permitted to make contributions that are in excess of the statutory amount based on amounts defined in that MOU. Also as a part of that MOU, the County may contribute at an aggregate rate of 38% of payroll if that rate is greater than the contribution rate determined by Milliman in their valuation.

  While we believe the method originally used by Milliman in preparing their draft June 30, 2014 valuation report to allocate the excess contributions already received and to split the contributions that have been raised to equal 38% of payroll among the County General, Safety and Probation membership groups to be reasonable, we believe another method as detailed on pages 5 and 6 that allocates such excess amounts in direct proportion to the Unfunded Actuarial Accrued Liability of the 3 membership groups should be considered by Milliman before finalizing the 2014 valuation report. After further discussions with both *SamCERA* and Milliman, Segal's recommended method was used in preparing the final 2014 valuation report.

- Assets have been maintained by *SamCERA* only on a combined basis for all eighteen Plans. The split or allocation of the assets among the General, Safety and Probation membership groups is needed for the valuation, and so currently that allocation has to be made by Milliman. As the current methodology used to split the assets among the three membership groups is affected by actuarial liability gains or losses that might be experienced by one group of members but not by the other two groups, we continue to recommend that a different methodology, such as the maintenance of the asset share by *SamCERA*'s pension and accounting administration system, be considered for future valuations.

Detailed Findings and Recommendations

Our detailed findings and recommendations are summarized as follows:

- As indicated in our Actuarial Review of 2014 Investigation of Experience report dated July 21, 2014, we found the actuarial assumptions and the methods used by Milliman to be reasonable and in accordance with generally accepted actuarial standards and principles. However, we believe that adopting separate merit and promotional assumptions for General and Safety (including Probation) members should result in a better allocation of the cost of providing benefits between those membership groups. The assumptions used in this valuation were those that were approved by *SamCERA*'s Board of Retirement in July 2014.
- Our comparison of the demographics of the 2014 data provided by *SamCERA* with the valuation data used by Milliman for the June 30, 2014 actuarial valuation indicated that Milliman made relatively few changes to the original data before the valuation was performed.
- In our last audit as of June 30, 2011, we recommended that salaries for active members who worked either part-time or did not earn one year of service credit during the one-year period immediately preceding the date of the valuation be converted to a full-time-equivalent basis in determining the liabilities. Milliman agreed with that recommendation and confirmed for us that they made an adjustment to reflect full-time-equivalent salary in their 2014 valuation.
- Segal's *total present value of future benefits* as of June 30, 2014 is 100% of Milliman's present value.
- A comparison of Segal's present value of future benefits (PVB) to Milliman's present values by plan indicates that the total liabilities of each plan are reasonable as shown in the following table.

Plan	Ratio of Segal's PVB to Milliman's PVB
General – Plan 1	100%
General – Plan 2*	99%
General – Plan 3	97%
General – Plan 4*	99%
General – Plan 5	99%
General – Plan 7*	102%
Safety – Plan 1	100%
Safety – Plan 2	100%
Safety – Plan 4	101%
Safety – Plan 5	101%
Safety – Plan 6	101%
Safety – Plan 7	103%
Probation – Plan 1	100%
Probation – Plan 2	100%
Probation – Plan 4	100%
Probation – Plan 5	101%
Probation – Plan 6	100%
Probation – Plan 7	102%

* Aggregated results for members of the County and Mosquito and Vector Control District

- Segal's *total actuarial accrued liability* as of June 30, 2014 is 100% of Milliman's liability.

- Segal's *total employer contribution rate* as of June 30, 2014 is 98% of Milliman's rate.

- As a percentage of projected payroll, Segal's net employer normal cost contribution rate is 97% of Milliman's net employer normal cost rate and Segal's employer Unfunded Actuarial Accrued Liability (UAAL) contribution rate is 99% of Milliman's UAAL rate.

- Segal's individual entry age based member normal cost rates are about 99% of those calculated by Milliman.

For this audit, our first focus was on matching the core numbers on which the Plans' ultimate costs depend: the present values of future benefits. The results of this analysis were shown in the previous table. We also focused on more detailed analyses of (i) the correct implementation of the actuarial assumptions as determined by the 2014 Investigation of Experience, (ii) the breakdown of the total normal cost contribution rate into portion paid by each of the employer and the member, and (iii) the determination of the UAAL contribution rate. Those detailed analyses produced the following findings and recommendations:

- In early 2014, the Retirement Board and the County entered into a Memorandum of Understanding (MOU) such that:

  (1) The County would be permitted to contribute supplemental contributions in excess of the statutory contributions determined using SamCERA's funding policy parameters.

  Those excess contributions based on amounts defined in the MOU would be maintained on a book-keeping basis in the County Supplementary Contributions Account (CSCA) and would be used to adjust the contribution rate for the County only (i.e., the contribution rate for the Court and Mosquito and Vector Control District should not be reduced because of the amount available in the CSCA).

  (2) The County may at its discretion continue to contribute at an aggregate rate of 38% of combined payroll for all its employees in the General, Safety and Probation Plans.

- The County has contributed $50 million into the CSCA. That amount when adjusted with interest credits was about $50.8 million. In order to apportion the $50.8 million among the three membership groups, Milliman has used the same technique that they use to allocate the Association-wide actuarial value of assets of $2,993 million among General, Safety and Probation membership groups. However, in preparing the draft June 30, 2014 valuation report, that allocation was not used originally by Milliman to calculate the contribution rate reduction that resulted to each of the County General, Safety and Probation membership groups. (According to Milliman, that rate relief would have been a uniform 1.11% of payroll for all three groups.) We believe the contribution rate reductions should be in proportion to the allocation of the additional contributions. After further discussions with both *SamCERA* and Milliman, Segal's recommended method was used in preparing the final 2014 valuation report.

- In the June 30, 2014 Milliman valuation, the County's aggregate contribution rate is 35.78% of payroll. (Note that an aggregate rate of 35.79% of payroll was provided in the draft report.) As the County has the discretion to contribute at an aggregate rate of 38.00% of payroll, Milliman has provided in their report the recommended increase in the contribution rates for each of the County General, Safety and Probation membership groups.

In preparing the draft June 30, 2014 valuation report, the increase in rates for each of the three membership groups was originally calculated by Milliman on a weighted average basis using both the normal cost and the UAAL rates used in developing the aggregate 35.78% of payroll for the three membership groups.

As the additional contributions would be used in practice to pay down the UAAL, we believe it would be more appropriate to use the UAAL rates only in the above calculation. After further discussions with both *SamCERA* and Milliman, Segal's recommended method was used in preparing the final 2014 valuation report.

- For financial and accounting reporting purposes, assets have only been maintained by SamCERA on a combined basis for all the eighteen Plans as a whole. Because assets have not been maintained for each of General, Safety and Probation membership groups, for the purpose of determining the asset share among the three membership groups for use in determining the UAAL, Milliman uses a method that "backs into" the valuation assets for each of the three membership groups at each valuation date.

  Underlying that methodology is the presumption that, before considering any assumption changes adopted by the Board, the relative proportion of the total UAAL for each of the three membership groups would remain constant from one valuation to the next. Once the total UAAL is split among the three membership groups based on that constant allocation, an asset share for each of the three membership groups is "backed into" by taking the difference between the actuarial accrued liability calculated in the current valuation for each group and the UAAL allocated to that group.

  We believe that this methodology would only provide a fair allocation of assets if there are no disproportional changes in liabilities from actuarial gains or losses among the three membership groups. However, in practice if *SamCERA* experiences liability gains or losses only for a particular membership group (e.g., when salary increases received by one group of members were less than those received by the other two groups), then the change in the

UAAL and the associated UAAL rate impact for that one group due to that group's experience would effectively be shared with the two other membership groups.

While this may not have much impact for the total contribution rate paid by the largest employer (i.e., the County), this may result in less transparency in reflecting the true cost of providing retirement benefits for each of the three membership groups.

We are aware of other approximation techniques used by some retirement systems that rely on projected contributions and estimated benefit payments by membership groups that would increase the accuracy of the asset share calculations. However, the emerging practice in California public retirement systems is to move towards more robust tracking of actual contributions and actual benefit payments by membership group using the retirement systems' pension and accounting administration systems. We are available to discuss this particular refinement in the methodology if this would be of interest to the Board of Retirement.

- In determining the UAAL contribution rate, Milliman uses a methodology that first projects the outstanding balances of the various UAAL layers to the next valuation date (i.e. one year in the future). Based on those projected outstanding balances and the remaining amortization periods as of that same date, they determine the UAAL amortization payments for each layer. The total of these amortization payments is then converted to a percent of the expected payroll for the year that begins on the next valuation date. It is our understanding that the purpose of this methodology is to adjust for the one-year delay between the valuation date and the date that the contribution rates are implemented and to more accurately reflect the payroll for the fiscal year that begins one year after the valuation date. We believe that the methodology they are applying is reasonable for this purpose.

- Overall, we have verified that Milliman's calculations of the UAAL and the total employer contribution rate as a percentage of payroll are reasonable and consistent with past practices.

PURPOSE AND SCOPE OF THE ACTUARIAL AUDIT

Purpose of the Audit

Segal Consulting has performed an actuarial audit of *SamCERA*'s June 30, 2014 Actuarial Valuation to provide assurance to *SamCERA*'s Board of Retirement that the actuarial calculations are reasonable and that the actuarial process was conducted according to generally accepted actuarial principles and practices.

Scope of the Audit

The scope of the audit, as described in *SamCERA*'s Actuarial Audit Services Agreement with Segal, includes the following:

- Evaluation of the available data for the performance of such valuation, the degree to which such data is sufficient to support the conclusions of the valuation, and the use and appropriateness of any assumptions made regarding such data.

- Completion of a parallel valuation as of June 30, 2014 using the assumptions, methodologies and funding methods used by *SamCERA*'s consulting actuary in their performance of the June 30, 2014 valuation.

- Evaluation of the parallel valuation results for the eighteen Plans that were included in the June 30, 2014 Actuarial Valuation Report and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and/or adjustments with *SamCERA*'s consulting actuary.

RESULTS OF THE AUDIT

Several steps are involved in conducting an actuarial audit of a retirement benefits program. Outlined below are the primary steps we took to comply with the scope of the audit services. Following each step is a description of our observations.

Since our analysis was performed concurrently with Milliman's actuarial valuation, we were able to discuss our observations with Milliman while they were preparing the June 30, 2014 valuation. Our results confirm and support the results of that valuation.

***Step 1*: *Compare the demographics of the 2014 data provided by SamCERA with the valuation data used by Milliman for the June 30, 2014 actuarial valuation*.**

<u>Results</u>

EXHIBIT-A provides a comparison, by membership type (i.e., General, Safety and Probation), of the number of participants, their average ages, average salaries (active members), average service (active members) and average benefits (pensioners). This exhibit indicates that Milliman had only made a few adjustments, estimations or corrections to the data received from *SamCERA*. In general, the data received was "valuation ready."

<u>Observations</u>

(1) In our last audit of June 30, 2011, we recommended that salaries for active members who worked either part-time or did not earn one year of service credit during the one-year period immediately preceding the date of the valuation be converted to a full-time-equivalent basis in determining the liabilities. Milliman agreed with that recommendation and confirmed for us that they made an adjustment to reflect full-time-equivalent salary in their 2014 valuation.

***Step 2*: *Develop a valuation program based on the relevant provisions of the County Employees' Retirement Law (CERL) as summarized in the Summary Plan Descriptions, using the actuarial methods and assumptions outlined in the most recent valuation report, and further defined by Milliman*.**

Observations

(1) Our valuation program now reflects the new Plans 5, 6, and 7.

Step 3: Run the valuation program with specific individuals (test lives) who illustrate particular benefit provisions and compare results to Milliman's results.

Results

EXHIBIT-B provides a comparison of Segal's and Milliman's test life results for (i) the present value of future benefits, (ii) the present value of future normal costs, and (iii) the actuarial accrued liability.

- *Present Value of Future Benefits*: This liability represents the current value of the member's projected benefits, recognizing the time value of money (*i.e*., the investment return assumption), the salary increase assumption and the probabilities of retirement, death, disability and turnover. This value is the cornerstone for the entire valuation as it represents the amount needed to provide all future expected benefit payouts for current members, based on the valuation assumptions.

  The ratios of Segal's results to Milliman's results, on a *total present value of future benefits basis*, range from 98% to 123% for the active test lives and is about 100% for the terminated vested and retired test lives. For the active member in General Plan 3 where Segal's result to Milliman's result is 123%, we believe that variation may be explained by possible difference in procedures used by Segal and Milliman to project the estimated Primary Insurance Amount (PIA) that is used as an offset to the benefit payable under that Plan by *SamCERA*. As the ratio of Segal's to Milliman's total present value of future benefit for all 117 active members in General Plan 3 (see page 18-A) is 93%, we are not concerned with the variation for this test life.

We believe our results are within an acceptable range of Milliman's results to provide assurance that the significant plan liabilities are properly valued.

- *Present Value of Future Normal Costs and Actuarial Accrued Liability:* The funding method adopted by *SamCERA*, the Entry Age Actuarial Cost Method, separates the present value of future benefits for active members into two components, the actuarial accrued liability and the present value of future normal costs. Simply stated, the Entry Age Actuarial Cost Method determines a level cost as a percentage of pay for each year of service, called the normal cost. The actuarial accrued liability is the sum of *past* normal costs (less any expected benefits, and assuming all actuarial assumptions were exactly realized), while the present value of future normal costs represents the current value of *future* normal costs required to fully fund the member's projected benefits before the member is expected to retire.

  The method used to separate the present value of projected benefits into its two components can differ somewhat from valuation system to valuation system, even though the underlying funding method used in the systems is the same.

  For the active test lives, the ratios of Segal's results to Milliman's range from 98% to 129% for the present value of future normal costs and from 98% to 116% for the actuarial accrued liability. The difference in the present value of future normal costs is primarily due to the timing of the decrement as described in Observation (1) below.

Observations

(1) Segal's valuation system generally assumes active members decrement (i.e., retire, terminate, etc.) at the beginning of each plan year (July 1). The Milliman system, on the other hand, assumes decrements occur in the middle of the plan year (January 1) except for those retirement ages where the probability of service retirement are 100% (e.g., on or after age 60 for Safety members) or when a member has attained a benefit that equals to 100% of final average compensation (e.g., Safety members with 33 1/3 years of service), where the decrement is assumed to occur at the beginning of the year.

For the *SamCERA* audit, we have prepared a customized version of our valuation software that mimics the timing of the decrements as used by Milliman (i.e., the middle of the plan year).

However, our program continues to assume the middle of year timing for decrements even for those members at ages where the probabilities of retirement are 100%.

Either methodology is acceptable, with each actuarial firm establishing its standard for the assumed timing of decrements.

(2) The new actuarial assumptions recommended by the 2014 Investigation of Experience were used to value the test lives.

(3) The provisions of the new Plans 5, 6, and 7 were appropriately included based on our review of the test lives.

Step 4*: *Run the valuation program with all participant data, compile results, and compare to Milliman's results.

Results

EXHIBIT-C provides a comparison, by Plan, of Segal's results and Milliman's results for (i) the present value of future benefits, (ii) the present value of future normal costs, (iii) the unfunded actuarial accrued liability (UAAL), (iv) the normal cost for the period from July 1, 2014 – June 30, 2015 and (v) the employer normal cost and UAAL contribution rates.

- The ratios of Segal's results to Milliman's results, on a *total present value of future benefits basis*, range from 93% to 102% for active members. For the terminated vested and the retirees combined, the results are virtually identically and the ratio is close to 100%. In total, our present value of future benefits is 100% of Milliman's present value as shown in the column labeled "TOTAL" on page 18-C.

- The present value of future normal costs is allocated between member contributions and employer contributions.

  For the purpose of calibrating our valuation software to independently calculate the contribution rates for the June 30, 2014 valuation, we had attempted to reproduce the contribution rates for the employer and member determined in the June 30, 2013 valuation. We have a very close match with Milliman's contribution rates determined in the June 30, 2013 valuation as well as in the June 30, 2014 valuation.

- As shown in the column labeled "TOTAL" on Page 18-J, Segal's <u>individual</u> entry age based member normal cost contribution rates are 99% of the member normal cost contribution rates, calculated by Milliman.

  In order to provide an "apples-to-apples" comparison of the <u>aggregate</u> member contribution rates, we have used Milliman's individual entry age based normal cost rates in comparing the results in this report. The ratio of Segal's net employer normal cost contribution rates to Milliman's is 97% as shown in the "TOTAL" column on page 18-J.

- The actuarial accrued liability depends in part on the valuation system's methodology for separating the present value of projected benefits into its two components – the actuarial accrued liability and the present value of future normal costs. The unfunded actuarial accrued liability (UAAL) is simply the difference between the actuarial accrued liability and the actuarial value of assets (please note that we have used the actuarial value of assets allocated by Milliman among the three membership groups). Therefore, differences in the actuarial accrued liabilities due to the variations in the valuation systems impact the unfunded actuarial accrued liabilities, and the related employer contribution rates.

  As a percentage of projected payroll, Segal's net employer normal cost contribution rate (Item 3 on page 18-J) is 97% of Milliman's net employer normal cost rate and Segal's employer UAAL amortization contribution rate (Item 4) is 99% of Milliman's UAAL rate. Segal's *total* employer contribution rate (Item 5) as of June 30, 2014 is 98% of Milliman's rate.

  Note that Segal's allocation of the *total* normal cost into the projected member rates, and the net employer normal cost rates (Items 2 and 3) were different from Milliman's for Safety and Probation Plans 1 where there were only 3 and 1 active members, respectively, as of June 30, 2014.

- In determining the UAAL contribution rate, Milliman uses a methodology that first projects the outstanding balances of the various UAAL layers to the next valuation date (i.e. one year in the future). Based on those projected outstanding balances and the remaining amortization periods as of that same date, they determine the UAAL amortization payments for each layer. The total of these amortization payments is then converted to a percent of the expected payroll for the year that begins on the next valuation date. It is our understanding that the purpose of this methodology is to adjust for the one-year delay between the valuation date and the date that the contribution rates are implemented and to more accurately reflect the payroll for the fiscal year that begins one year after the valuation date. We believe that the methodology they are applying is reasonable for this purpose.

Step 5*: *Evaluate the valuation results and methodology as presented in the Milliman actuarial valuation report.

Observations

(1) Due to the changes in assumptions implemented from the 2014 Investigation of Experience, new member contribution rates were calculated. We have verified that Milliman's calculated employee contribution rates are reasonable and consistent with the relevant provisions of the County Employees' Retirement Law (CERL) and past practices.

(2) We reviewed the Milliman draft actuarial report in detail. Most of our comments based on that draft report are minor and deal primarily with providing additional disclosures for documentation purposes:

- As we recommended in our last audit as of June 30, 2011, Milliman is now including a "flow of lives" in their annual valuation report. A flow of lives reconciles the number of members in different status categories (including active, deferred vested, retiree and beneficiary) between two valuation dates. A flow of lives would also generally allow another actuary to perform a high-level review of the results from an experience study.

- Milliman has clearly indicated in their report that, for consistency with prior practice, they have continued to provide certain exhibits in their report as supporting information for inclusion in *SamCERA*'s Comprehensive Annual Financial Report (CAFR) and that additional information will be forthcoming in order to satisfy the new Government Accounting Standards Board (GASB) Statement No. 67. We want to caution *SamCERA* that because GASB would require the investment return assumption for financial reporting purposes be developed on a gross (i.e., not reduced) for administrative expense basis, some of the liabilities results Milliman has developed as of June 30, 2014 may have to be adjusted unless the Board decides to use the same 7.50% investment return assumption used for funding purposes for financial reporting purposes.

EXHIBIT – A
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
ANALYSIS OF PARTICIPANT DATA

Active Members						
Members		**Number**	**Annual Salary (Thousands)**	**Age**	**Average Monthly Salary**	**Total Service**
General	*SamCERA* Data*	4,281	$352,932	46.2	$6,870	11.1
	Milliman Data	4,272	$352,919	46.2	$6,884	11.1
	% Difference	**-0.2%**	**0.0%**	**0.0%**	**0.2%**	**0.0%**
Safety	*SamCERA* Data*	455	$52,988	44.3	$9,705	11.4
	Milliman Data	452	$52,974	44.2	$9,767	11.4
	% Difference	**-0.7%**	**0.0%**	**-0.2%**	**0.6%**	**0.0%**
Probation	*SamCERA* Data*	280	$23,704	42.2	$7,055	12.7
	Milliman Data	280	$23,514	42.2	$6,998	12.7
	% Difference	**0.0%**	**-0.8%**	**0.0%**	**-0.8%**	**0.0%**
Total						
	SamCERA Data*	5,016	$429,624	45.8	$7,138	11.2
	Milliman Data	5,004	$429,407	45.8	$7,151	11.2
	% Difference	**-0.2%**	**-0.1%**	**0.0%**	**0.2%**	**0.0%**

* Includes active members with code "ACT" reported in the original *SamCERA* data except for 24 counted by Milliman as Inactive Vested Participants.

EXHIBIT – A (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
ANALYSIS OF PARTICIPANT DATA

Pensioners (Service Retirees, Beneficiaries, and Disabled Retirees)					
Members		**Number**	**Monthly Total Allowances (Thousands)**	**Age**	**Average Monthly Benefit**
General	*SamCERA* Data*	3,965	$10,182	72.0	$2,568
	Milliman Data	3,927	$10,182	72.0	$2,593
	% Difference	**-1.0%**	**0.0%**	**0.0%**	**1.0%**
Safety	*SamCERA* Data*	461	$2,819	66.3	$6,116
	Milliman Data	450	$2,820	66.7	$6,267
	% Difference	**-2.4%**	**0.0%**	**0.6%**	**2.5%**
Probation	*SamCERA* Data*	143	$645	66.4	$4,508
	Milliman Data	141	$645	66.4	$4,572
	% Difference	**-1.4%**	**0.0%**	**0.0%**	**1.4%**
Total					
	SamCERA Data	4,569	$13,646	71.2	$2,987
	Milliman Data	4,518	$13,647	71.3	$3,021
	% Difference	**-1.1%**	**0.0%**	**0.1%**	**1.1%**

* Members receiving benefits as beneficiaries were counted twice by Segal but only once by Milliman.

EXHIBIT – A (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
ANALYSIS OF PARTICIPANT DATA

Inactive Vested Participants			
Members		**Number**	**Age**
General	*SamCERA* Data*	1,160	48.5
	Milliman Data	1,181	48.6
	% Difference	**1.8%**	**0.2%**
Safety	*SamCERA* Data*	80	46.5
	Milliman Data	76	46.6
	% Difference	**-5.0%**	**0.2%**
Probation	*SamCERA* Data*	61	43.1
	Milliman Data	47	41.5
	% Difference	**-23.0%**	**-3.7%**
Total			
	SamCERA Data	1,301	48.1
	Milliman Data	1,304	48.2
	% Difference	**0.2%**	**0.2%**

* Includes 43 terminated members reported in the active file with code "TRM", 132 active members indicated as leave without pay reported in the active file with code "LNP" and 24 members with active code "ACT" but with no increase in their service credits between June 30, 2013 and June 30, 2014 valuations.

EXHIBIT – B
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
TEST LIFE COMPARISON

	General Plan 2		General Plan 3		General Plan 4		SMCM&VCD Plan 4		General Plan 5	
ACTIVES	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
PVB	**$1,450,579**	**$1,425,607**	**$67,504**	**$83,188**	**$264,773**	**$269,307**	**$274,152**	**$272,804**	**$104,803**	**$104,069**
PV - Future Normal Costs*	$68,205	$74,870	$37,049	$47,708	$143,877	$145,024	$173,794	$172,196	$87,416	$85,856
Actuarial Accrued Liability	$1,382,374	$1,350,737	$30,455	$35,480	$120,896	$124,283	$100,358	$100,608	$17,387	$18,213
RATIO OF SEGAL/MILLIMAN										
PVB		**98%**		**123%****		**102%**		**100%**		**99%**
PV - Future Normal Costs*		110%		129%		101%		99%		98%
Actuarial Accrued Liability		98%		116%		103%		100%		105%

	Retiree General Plan 1		Retiree General Plan 2		Disabled General Plan 4		Disabled General Plan 4		Terminated Vested General Plan 3	
INACTIVES	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Total PVB	**$4,109,232**	**$4,110,968**	**$52,635**	**$52,659**	**$578,806**	**$578,891**	**$340,099**	**$340,364**	**$52,190**	**$52,473**
RATIO OF SEGAL/MILLIMAN										
		100%		**100%**		**100%**		**100%**		**101%**

* The difference in the present value of future normal costs is primarily due to the assumed timing of the service retirement decrements as described in Observation (1) on page 11.

** For the active member in General Plan 3 where Segal's result to Milliman's result is 123%, we believe that variation may be explained by possible difference in procedures used by Segal and Milliman to project the estimated Primary Insurance Amount (PIA) that is used as an offset to the benefit payable under that Plan by *SamCERA*.

EXHIBIT – B (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
TEST LIFE COMPARISON

	General Plan 7		General Plan 7		Safety Plan 4		Safety Plan 5		Safety Plan 7	
ACTIVES	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Total PVB	**$153,880**	**$152,343**	**$133,055**	**$135,532**	**$815,841**	**$809,576**	**$471,839**	**$469,604**	**$294,753**	**$296,728**
PV - Future Normal Costs*	$122,795	$120,874	$122,298	$124,302	$442,428	$441,922	$421,519	$417,334	$275,403	$276,467
Actuarial Accrued Liability	$31,085	$31,469	$10,757	$11,230	$373,413	$367,654	$50,320	$52,270	$19,350	$20,261
RATIO OF SEGAL/MILLIMAN										
Total PVB		**99%**		**102%**		**99%**		**100%**		**101%**
PV - Future Normal Costs*		98%		102%		100%		99%		100%
Actuarial Accrued Liability		101%		104%		98%		104%		105%

	Terminated Vested General Plan 4		Retiree Safety Plan 1		Terminated Vested Safety Plan 1		Terminated Vested Safety Plan 2		Terminated Vested Safety Plan 4	
INACTIVES	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Total PVB	**$2,892**	**$2,982**	**$1,534,447**	**$1,535,181**	**$145,807**	**$146,477**	**$720,996**	**$722,072**	**$90,099**	**$90,041**
RATIO OF SEGAL/MILLIMAN										
		103%		**100%**		**100%**		**100%**		**100%**

* The difference in the present value of future normal costs is primarily due to the assumed timing of the service retirement decrements as described in Observation (1) on page 11.

EXHIBIT – B (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
TEST LIFE COMPARISON

	Probation Plan 4		Probation Plan 5		Probation Plan 7	
ACTIVES	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Total PVB	**$418,729**	**$418,581**	**$325,891**	**$324,928**	**$362,334**	**$367,956**
PV - Future Normal Costs*	$287,289	$286,100	$285,488	$282,811	$322,696	$326,301
Actuarial Accrued Liability	$131,440	$132,481	$40,403	$42,117	$39,638	$41,655
RATIO OF SEGAL/MILLIMAN						
Total PVB		**100%**		**100%**		**102%**
PV - Future Normal Costs*		100%		99%		101%
Actuarial Accrued Liability		101%		104%		105%

	Disabled Safety Plan 1		Terminated Vested Probation Plan 2	
INACTIVES	**Milliman**	**Segal**	**Milliman**	**Segal**
Total PVB	**$749,886**	**$750,037**	**$162,066**	**$163,341**
RATIO OF SEGAL/MILLIMAN				
		100%		**101%**

* The difference in the present value of future normal costs is primarily due to the assumed timing of the service retirement decrements as described in Observation (1) on page 11.

EXHIBIT – C
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	General – COMBINED*							
PRESENT VALUE OF	**Plan 1**		**Plan 2**		**Plan 3**		**Plan 4**	
FUTURE BENEFITS (PVB)	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Actives	$36,247	$35,571	$661,321	$653,557	$23,388	$21,668	$864,509	$856,577
Retirees	709,945	711,583	655,245	655,501	14,782	15,509	115,644	115,663
Inactive Vesteds	5,004	5,024	75,035	75,513	7,763	7,419	68,384	69,143
Total PVB	**$751,196**	**$752,178**	**$1,391,601**	**$1,384,571**	**$45,933**	**$44,596**	**$1,048,537**	**$1,041,383**
RATIO OF SEGAL/MILLIMAN								
Actives		**98%**		**99%**		**93%**		**99%**
Retirees		100%		100%		105%		100%
Inactive Vesteds		100%		101%		96%		101%
Total PVB		**100%**		**99%**		**97%**		**99%**

	General – COMBINED*					
PRESENT VALUE OF	**Plan 5**		**Plan 7**		**Subtotal**	
FUTURE BENEFITS (PVB)	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Actives	$43,575	$42,930	$50,936	$52,100	$1,679,976	$1,662,403
Retirees	0	0	0	0	1,495,616	1,498,256
Inactive Vesteds	701	708	158	124	157,045	157,931
Total PVB	**$44,276**	**$43,638**	**$51,094**	**$52,224**	**$3,332,637**	**$3,318,590**
RATIO OF SEGAL/MILLIMAN						
Actives		**99%**		**102%**		**99%**
Retirees		N/A		N/A		100%
Inactive Vesteds		101%		78%		101%
Total PVB		**99%**		**102%**		**100%**

* Includes Mosquito and Vector Control District.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	Safety							
PRESENT VALUE OF	**Plan 1**		**Plan 2**		**Plan 4**		**Plan 5**	
FUTURE BENEFITS (PVB)	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Actives	$9,000	$8,709	$148,834	$148,719	$196,581	$198,715	$20,097	$20,382
Retirees	282,071	282,218	185,269	185,511	17,842	17,975	0	0
Inactive Vesteds	239	240	13,053	13,097	11,054	11,042	249	251
Total PVB	**$291,310**	**$291,167**	**$347,156**	**$347,327**	**$225,477**	**$227,732**	**$20,346**	**$20,633**
RATIO OF SEGAL/MILLIMAN								
Actives		**97%**		**100%**		**101%**		**101%**
Retirees		100%		100%		101%		N/A
Inactive Vesteds		100%		100%		100%		101%
Total PVB		**100%**		**100%**		**101%**		**101%**

	Safety					
PRESENT VALUE OF	**Plan 6**		**Plan 7**		**Subtotal**	
FUTURE BENEFITS (PVB)	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Actives	$608	$615	$6,931	$7,115	$382,051	$384,255
Retirees	0	0	0	0	485,182	485,704
Inactive Vesteds	0	0	0	0	24,595	24,630
Total PVB	**$608**	**$615**	**$6,931**	**$7,115**	**$891,828**	**$894,589**
RATIO OF SEGAL/MILLIMAN						
Actives		**101%**		**103%**		**101%**
Retirees		N/A		N/A		100%
Inactive Vesteds		N/A		N/A		100%
Total PVB		**101%**		**103%**		**100%**

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	Probation							
PRESENT VALUE OF	**Plan 1**		**Plan 2**		**Plan 4**		**Plan 5**	
FUTURE BENEFITS (PVB)	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Actives	$649	$662	$57,906	$57,574	$116,393	$115,733	$1,871	$1,873
Retirees	56,866	56,895	45,575	45,600	5,287	5,288	0	0
Inactive Vesteds	0	0	6,658	6,695	8,321	8,350	181	205
Total PVB	**$57,515**	**$57,557**	**$110,139**	**$109,869**	**$130,001**	**$129,371**	**$2,052**	**$2,078**
RATIO OF SEGAL/MILLIMAN								
Actives		**102%**		**99%**		**99%**		**100%**
Retirees		100%		100%		100%		N/A
Inactive Vesteds		N/A		101%		100%		113%
Total PVB		**100%**		**100%**		**100%**		**101%**

	Probation							
PRESENT VALUE OF	**Plan 6**		**Plan 7**		**Subtotal**		**TOTAL**	
FUTURE BENEFITS (PVB)	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Actives	$497	$499	$2,767	$2,813	$180,083	$179,154	$2,242,110	$2,225,812
Retirees	0	0	0	0	107,728	107,783	2,088,526	2,091,743
Inactive Vesteds	0	0	0	0	15,160	15,250	196,800	197,811
Total PVB	**$497**	**$499**	**$2,767**	**$2,813**	**$302,971**	**$302,187**	**$4,527,436**	**$4,515,366**
RATIO OF SEGAL/MILLIMAN								
Actives		**100%**		**102%**		**99%**		**99%**
Retirees		N/A		N/A		100%		100%
Inactive Vesteds		N/A		N/A		101%		101%
Total PVB		**100%**		**102%**		**100%**		**100%**

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS

	General – COMBINED (no SMCM & VCD)*							
	Plan 1		Plan 2		Plan 3		Plan 4	
NORMAL COST	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
1. Normal Cost Contribution Rate	21.53%	20.97%	21.27%	20.66%	8.08%	8.03%	20.85%	20.38%
2. Member Contribution Rate	10.24%	10.01%	10.52%	10.33%	0.00%	0.00%	10.69%	10.63%
3. Net Employer Normal Cost Contribution Rate (1. - 2.)	11.29%	10.96%	10.75%	10.33%	8.08%	8.03%	10.16%	9.75%
4. Employer UAAL Amortization Contribution Rate (See 18-K)	20.25%	19.98%	20.26%	19.99%	20.23%	19.97%	20.27%	20.01%
5. Total Employer Contribution Rate (3. + 4.)	31.54%	30.94%	31.01%	30.32%	28.31%	28.00%	30.43%	29.76%
RATIO OF SEGAL/MILLIMAN								
1. Normal Cost Contribution Rate		97%		97%		99%		98%
2. Member Contribution Rate		98%		98%		N/A		99%
3. Net Employer Normal Cost Contribution Rate		97%		96%		99%		96%
4. Employer UAAL Amortization Contribution Rate		99%		99%		99%		99%
5. Total Employer Contribution Rate		98%		98%		99%		98%

* Does not include Mosquito and Vector Control District.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS

	General – COMBINED (no SMCM & VCD)*					
	Plan 5		Plan 7		Subtotal	
NORMAL COST	Milliman	Segal	Milliman	Segal	Milliman	Segal
1. Normal Cost Contribution Rate	18.02%	17.48%	15.83%	15.70%	19.99%	19.51%
2. Member Contribution Rate	8.28%	8.26%	7.92%	7.85%	9.98%	9.88%
3. Net Employer Normal Cost Contribution Rate (1. - 2.)	9.74%	9.22%	7.91%	7.85%	10.01%	9.63%
4. Employer UAAL Amortization Contribution Rate (See 18-K)	20.23%	19.97%	20.21%	19.95%	20.26%	20.00%
5. Total Employer Contribution Rate (3. + 4.)	29.97%	29.19%	28.12%	27.80%	30.27%	29.63%
RATIO OF SEGAL/MILLIMAN						
1. Normal Cost Contribution Rate		97%		99%		98%
2. Member Contribution Rate		100%		99%		99%
3. Net Employer Normal Cost Contribution Rate		95%		99%		96%
4. Employer UAAL Amortization Contribution Rate		99%		99%		99%
5. Total Employer Contribution Rate		97%		99%		98%

* Does not include Mosquito and Vector Control District.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS

	General – SMCM & VCD*							
	Plan 2		Plan 4		Plan 7		Subtotal	
NORMAL COST	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
1. Normal Cost Contribution Rate	27.23%	26.90%	18.94%	18.68%	13.01%	12.78%	18.97%	18.68%
2. Member Contribution Rate	8.99%	8.97%	7.18%	7.19%	6.51%	6.39%	7.25%	7.25%
3. Net Employer Normal Cost Contribution Rate (1. - 2.)	18.24%	17.93%	11.76%	11.49%	6.50%	6.39%	11.72%	11.43%
4. Employer UAAL Amortization Contribution Rate (See 18-K)	21.16%	20.85%	21.16%	20.85%	21.16%	20.85%	21.16%	20.85%
5. Total Employer Contribution Rate (3. + 4.)	39.40%	38.78%	32.92%	32.34%	27.66%	27.24%	32.88%	32.28%
RATIO OF SEGAL/MILLIMAN								
1. Normal Cost Contribution Rate		99%		99%		98%		98%
2. Member Contribution Rate		100%		100%		98%		100%
3. Net Employer Normal Cost Contribution Rate		98%		98%		98%		98%
4. Employer UAAL Amortization Contribution Rate		99%		99%		99%		99%
5. Total Employer Contribution Rate		98%		98%		98%		98%

* Includes General members from Mosquito and Vector Control District.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	Safety							
	Plan 1*		Plan 2		Plan 4		Plan 5	
NORMAL COST	Milliman	Segal	Milliman	Segal	Milliman	Segal	Milliman	Segal
1. Normal Cost Contribution Rate	42.35%	37.13%	34.16%	34.27%	32.71%	32.45%	33.07%	32.23%
2. Member Contribution Rate	16.01%	9.65%	13.55%	13.40%	13.67%	13.83%	16.61%	16.65%
3. Net Employer Normal Cost Contribution Rate (1. - 2.)	26.34%	27.48%	20.61%	20.87%	19.04%	18.62%	16.46%	15.58%
4. Employer UAAL Amortization Contribution Rate (See 18-K)	46.48%	45.98%	46.48%	45.98%	46.48%	45.98%	46.48%	45.98%
5. Total Employer Contribution Rate (3. + 4.)	72.82%	73.46%	67.09%	66.85%	65.52%	64.60%	62.94%	61.56%
RATIO OF SEGAL/MILLIMAN								
1. Normal Cost Contribution Rate		88%		100%		99%		97%
2. Member Contribution Rate		60%		99%		101%		100%
3. Net Employer Normal Cost Contribution Rate		104%		101%		98%		95%
4. Employer UAAL Amortization Contribution Rate		99%		99%		99%		99%
5. Total Employer Contribution Rate		101%		100%		99%		98%

* Note that there are only three active members in this Plan.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS

	Safety					
	Plan 6		Plan 7		Subtotal	
NORMAL COST	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
1. Normal Cost Contribution Rate	33.45%	33.01%	29.28%	28.73%	32.96%	32.78%
2. Member Contribution Rate	14.51%	14.48%	14.64%	14.37%	13.97%	13.97%
3. Net Employer Normal Cost Contribution Rate (1. - 2.)	18.94%	18.53%	14.64%	14.36%	18.99%	18.81%
4. Employer UAAL Amortization Contribution Rate (See 18-K)	46.48%	45.98%	46.48%	45.98%	46.48%	45.98%
5. Total Employer Contribution Rate (3. + 4.)	65.42%	64.51%	61.12%	60.34%	65.47%	64.79%
RATIO OF SEGAL/MILLIMAN						
1. Normal Cost Contribution Rate		99%		98%		99%
2. Member Contribution Rate		100%		98%		100%
3. Net Employer Normal Cost Contribution Rate		98%		98%		99%
4. Employer UAAL Amortization Contribution Rate		99%		99%		99%
5. Total Employer Contribution Rate		99%		99%		99%

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	Probation							
	Plan 1*		Plan 2		Plan 4		Plan 5	
NORMAL COST	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
1. Normal Cost Contribution Rate	34.55%	36.99%	33.65%	33.13%	30.98%	30.67%	29.45%	28.98%
2. Member Contribution Rate	3.50%	3.50%	12.76%	12.82%	12.34%	12.46%	13.79%	13.85%
3. Net Employer Normal Cost Contribution Rate (1. - 2.)	31.05%	33.49%	20.89%	20.31%	18.64%	18.21%	15.66%	15.13%
4. Employer UAAL Amortization Contribution Rate (See 18-K)	28.09%	27.65%	28.09%	27.65%	28.09%	27.65%	28.09%	27.65%
5. Total Employer Contribution Rate (3. + 4.)	59.14%	61.14%	48.98%	47.96%	46.73%	45.86%	43.75%	42.78%
RATIO OF SEGAL/MILLIMAN								
1. Normal Cost Contribution Rate		107%		98%		99%		98%
2. Member Contribution Rate		100%		100%		101%		100%
3. Net Employer Normal Cost Contribution Rate		108%		97%		98%		97%
4. Employer UAAL Amortization Contribution Rate		98%		98%		98%		98%
5. Total Employer Contribution Rate		103%		98%		98%		98%

* Note that there is only one active members in this Plan.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	Probation							
	Plan 6		Plan 7		Subtotal		TOTAL	
NORMAL COST	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
1. Normal Cost Contribution Rate	25.26%	24.98%	26.84%	26.70%	31.38%	31.04%	22.22%	21.78%
2. Member Contribution Rate	9.78%	9.77%	13.42%	13.35%	12.48%	12.55%	10.60%	10.52%
3. Net Employer Normal Cost Contribution Rate (1. - 2.)	15.48%	15.21%	13.42%	13.35%	18.90%	18.49%	11.62%	11.26%
4. Employer UAAL Amortization Contribution Rate (See 18-K)	28.09%	27.65%	28.09%	27.65%	28.09%	27.65%	23.94%	23.64%
5. Total Employer Contribution Rate (3. + 4.)	43.57%	42.86%	41.51%	41.00%	46.99%	46.14%	35.56%	34.90%
RATIO OF SEGAL/MILLIMAN								
1. Normal Cost Contribution Rate		99%		99%		99%		98%
2. Member Contribution Rate		100%		99%		101%		99%
3. Net Employer Normal Cost Contribution Rate		98%		99%		98%		97%
4. Employer UAAL Amortization Contribution Rate		98%		98%		98%		99%
5. Total Employer Contribution Rate		98%		99%		98%		98%

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2014 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

UNFUNDED ACTUARIAL LIABILITY	General		Safety		Probation		Total	
	Milliman	Segal	Milliman	Segal	Milliman	Segal	Milliman	Segal
Present Value of Future Benefits	$3,332,638	$3,318,590	$891,830	$894,589	$302,969	$302,187	$4,527,437	$4,515,366
PV Future NC Contributions	540,451	533,966	128,283	132,660	61,652	61,581	$730,386	$728,207
Actuarial Accrued Liability	**2,792,187**	**2,784,624**	**763,547**	**761,929**	**241,317**	**240,606**	**3,797,051**	**3,787,159**
Current Assets at Actuarial Value	2,230,325	2,230,325	573,318	573,318	189,544	189,544	$2,993,187	$2,993,187
Unfunded Actuarial Liability	561,862	554,299	190,229	188,611	51,773	51,062	$803,864	$793,972
Unfunded Actuarial Liability Combined Amortization Contribution Rate	20.26%*	20.00%*	46.48%	45.98%	28.09%	27.65%	23.94%	23.64%
RATIO OF SEGAL/MILLIMAN								
Present Value of Future Benefits		100%		100%		100%		100%
PV Future NC Contributions		99%		103%		100%		100%
Actuarial Accrued Liability		100%		100%		100%		100%
Current Assets at Actuarial Value		100%		100%		100%		100%
Unfunded Actuarial Liability		99%		99%		99%		99%
Amortization Contribution Rate		99%		99%		98%		99%

* Amortization contribution rates for SMCM & VCD are 21.16% calculated by Milliman and 20.85% calculated by Segal.

Note: The UAAL contribution rates provided above have not been adjusted to an aggregate rate of 38.00% of payroll that may be contributed at the discretion of the County.

September 30, 2014 Agenda Item 5.4

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Acceptance of the Fiscal-Year 2015-2016 Employer and Member Contribution Rates

Staff Recommendation

That the Board of Retirement adopt the attached "*Resolution accepting contribution rates to recommend to the Board of Supervisors for the 2015-2016 Fiscal Year*". The resolution accepts the employer and member contribution rates, as recommended by SamCERA's actuarial consulting firm, Milliman, Inc., in the June 30th, 2014, Actuarial Valuation. The resolution further recommends to the Board of Supervisors that these rates be adopted and implemented for the 2015-2016 fiscal year.

Background

At its July 2014 meeting, the Board of Retirement adopted economic assumptions recommended by Milliman, Inc. in their Triennial Experience Study to be used in the June 30, 2014, Valuation. Most significantly, the Board lowered the assumed earnings rate from 7.5% to 7.25%. The table below is a summary of the assumptions and the recommendation adopted by the Board:

Economic Assumptions (Adopted in June 2014)	
General Wage Growth	Reduced from 3.75% to 3.50%
Investment Earnings	Reduced from 7.50% to 7.25%
CPI Inflation	Reduced from 3.25% to 3.00%
Demographic Assumptions	
Retirement	Reduced slightly
Disability	Increased rates for General and Safety
Prob. Of Eligible Survivor	Reduced probability for males
Miscellaneous Assumptions	
Plan 3 Early Retirement Age	Reduced interest rate
Probability of Eligible Survivor	Reduced rate for males
Survivor Age Difference	Reduced Female member survivors to 2 years difference

SamCERA staff read the valuation and conferenced with Milliman actuaries to discuss and understand the report and the recommendations. SamCERA staff also conferenced with Segal actuaries regarding their audit of the report. This process permitted both actuarial firms to discuss and agree on methodologies and resolve minor issues prior to the finalization of the report. Staff supports the results and recommendations of the valuation.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

RESOLUTION 14-15-

RESOLUTION ACCEPTING CONTRIBUTION RATES TO RECOMMEND TO THE BOARD OF SUPERVISORS FOR THE 2015-2016 FISCAL YEAR.

WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board..."*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 has received and accepted the June 30, 2014, valuation report from its actuarial firm, Milliman, Inc., and

WHEREAS, the Chief Executive Officer has recommended, in agreement with Milliman, Inc., the contribution rates necessary to assure the actuarial soundness of the Retirement Fund,

Therefore, be it

RESOLVED that the Board hereby accepts the employer and member contribution rates as recommended by Milliman, Inc. in its June 30, 2014, Actuarial Valuation of the San Mateo County Employees' Retirement Association effective for the fiscal year 2015-2016.

Be it further

RESOLVED that the Board recommends that the Board of Supervisors adopt the recommended **employer contribution rates** for the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules provided by Milliman, Inc. in its June 30, 2014, Actuarial Valuation, effective July 1, 2015.

Be it further

RESOLVED that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended **member contribution rates** for SamCERA active members of the County of San Mateo, the San Mateo County Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules provided by Milliman, Inc. in its June 30, 2014, Actuarial Valuation, effective July 1, 2015.

Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to transmit these rates and recommendations to the Board of Supervisors and to take all actions necessary to provide for their implementation effective July 1, 2015.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 30, 2014 Agenda Item 5.5

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.

Staff Recommendation

Staff recommends that the Board review the information summarizing Milliman, Inc.'s performance as SamCERA's actuarial services provider and comment accordingly during this agenda item.

Summary

Milliman again received high marks from the Board and staff for the services they provide to SamCERA. Ratings were similar to those of the last few years and all comments were constructive and positive.

Background

The annual evaluation of SamCERA's actuarial services firm has three parts:

1. A survey completed by trustees, staff and the actuary
2. Responses to questions submitted to the actuary
3. A discussion at the Board meeting to present the findings of the survey and question responses.

1. Survey

This survey was provided online. Results were collected from six trustees, four staff members and one response was received from the actuarial firm.

Similar to prior years, ratings from staff and trustees were higher than that by Milliman of themselves. The range of differences in the ratings was 0.54 similar to 0.49 last year. On a scale of 1 through 5, with 5 being the highest rating, staff gave the firm an average rating of 4.74; trustees rated the firm 4.65 and Milliman rated themselves at 4.20.

Most comments are neutral and positive and reflect the additional interaction with the actuary this year. Staff noted that Nick and Craig have been invaluable in assisting with the establishment and administration of the County Supplemental Contribution Account (CSCA), and have provided outstanding support for the smooth transition to GASB 67 and 68 for SamCERA and its employers. In addition, Milliman provided oversight with the interest credit policy and simplified the interest crediting process. Trustees remarked that presentations are easy to understand and the relationship with the actuary involves free, open, and frequent communications.

2. Responses to Questions

Milliman responded to a series of questions about the firm. Their responses are attached. Staff did not find any comments of concern.

3. Discussion at Board Meeting

SamCERA's consulting actuary, **Nick Collier, ASA, and Craig Glyde, ASA,** will be available to respond to any questions or comments regarding the relationship.

Summary of Actuarial Performance Survey Results - September 30, 2014

1= Low, 2=Below Average, 3=Average, 4=Above Average, 5=High

	Board Results	Staff Results	Actuary Results	Average
1. How would you rate the firm's understanding of the system's goals and objectives?	4.83	5.00	5.00	4.94
2. How would you rate the firm's ability to custom-tailor services?	4.60	4.75	4.00	4.45
3. How would you rate the firm's ability to respond to plan sponsor needs?	4.83	5.00	4.00	4.61
4. How would you rate the firm's ability to communicate effectively?	4.50	4.75	4.00	4.42
5. How would you rate the firm's responsiveness to questions and requests?	4.80	5.00	5.00	4.93
6. How would you rate the adequacy of information provided by the firm?	4.50	5.00	4.00	4.50
7. How would you rate the firm's knowledge in their substantive actuarial areas?	4.67	5.00	4.00	4.56
8. How would you rate the effectiveness of the firm's educational presentations?	4.33	4.50	4.00	4.28
9. The firm provides practical and effective advice.	5.00	5.00	4.00	4.67
10. The firm provides creative solutions to difficult problems.	4.20	4.00	4.00	4.07
11. The firm achieves results that meet your expectations.	4.67	4.75	5.00	4.81
12. The firm keeps you informed about the progress of your matters.	4.67	4.33	4.00	4.33
13. The firm keeps you informed about changes in the law that could affect the plan	4.67	4.33	3.00	4.00
14. The actuary demonstrates a high standard of ethics and integrity.	4.67	4.75	5.00	4.81
15. What is your overall opinion of the firm?	4.83	5.00	4.00	4.61
Average	**4.65**	**4.74**	**4.20**	**4.53**

September 11, 2014

To: Mabel Wong

From: Nick Collier
Subject: Actuarial Review – Milliman Inc.

As requested, we have completed the questionnaire form. Please note that Milliman is a large, multi-office firm with services covering a variety of types of actuarial and other consulting issues. For purposes of this review we have responded with answers that apply to the Seattle Employee Benefits practice and have provided client information regarding only the public sector clients. If additional information on other offices or other clients is needed, please let us know.

Organizational Update

1) **What is the ownership structure of your firm? Identify all owners with 5% ownership or more.**

   Milliman is a corporate organization owned by its approximate 400 Principals. No Principal owns 5% or more of the firm. The firm is comprised of profit centers overseen by Principals who have a considerable amount of flexibility with respect to the management of their profit centers.

2) **Provide an update on your firm's organization, with particular emphasis on (a) changes to your management structure over the past eighteen months, and (b) clients gained or lost in the past eighteen months. All significant changes should be accompanied by an explanation. An organizational chart should accompany this response.**

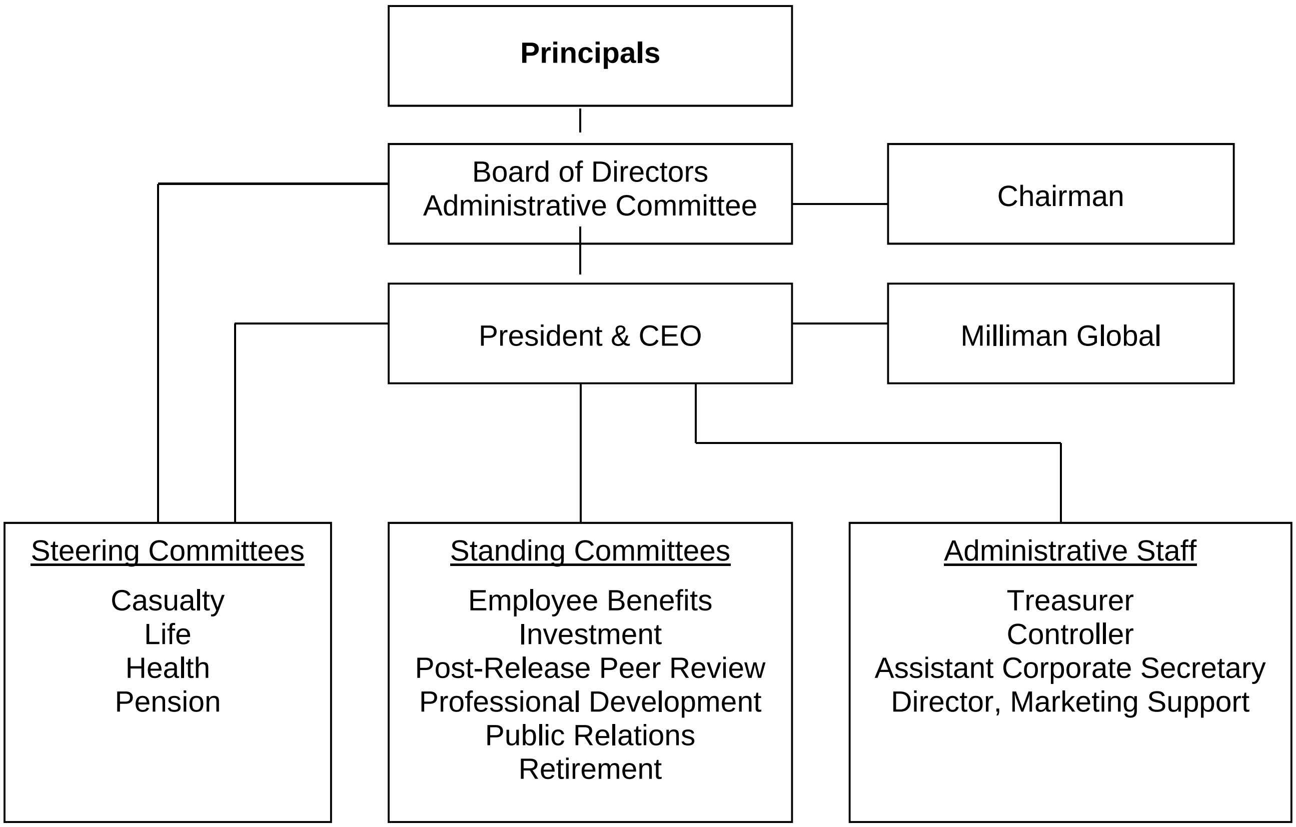
   Milliman is a firm of actuaries and consultants serving the full spectrum of business, government, and financial organizations in over 30 offices around the United States.

   (a) Other than the normal growth of the firm, there have been no changes in the management structure of Milliman in the last 18 months. Normal growth includes new Principals being nominated and a few Principals leaving the firm, primarily due to retirement.

   (b) The Seattle Employee Benefits practice has had the following changes in its public sector pension clients in the last 18 months.

   Added: Actuarial audits for: CCCERA and Washington State Retirement Systems.
   Lost: None

   (c) On the following page is an organizational chart of the Milliman firm. The Principals of the firm as a whole are responsible for establishing the governing principles of Milliman. Principals are active senior professionals within Milliman who have been elected in recognition of their technical, professional and business achievements. The Board of Directors of Milliman and the officers of Milliman are delegated the authority by the Principals to assume day-to-day responsibilities for carrying out the management directives established by the Principals. The Board of Directors of Milliman consists of 11 Principals including the President, the Chairman, four National Directors of our major practice areas, and five rotating positions.



3) Provide a list of services available through your firm, including the number of staff supporting those services.

See the attached one-page summary of the Milliman Seattle Employee Benefits Services. Further information on all other services that Milliman provides can be viewed by going to our website: http://www.milliman.com

4) What are your firm's philosophy and current policy regarding new business?

The Seattle Employee Benefits practice believes we can add new business only when we have the capacity to maintain the high level of service we promise to all clients. Within the public sector, the opportunity to attain new business is driven by the RFP process. In order to respond to any RFP situations, we are continuing hiring new actuarial analysts – at the rate of one or two per year, and growing from within. In addition, Milliman has access to additional staff from other offices if special projects create a need for a temporary increase in staffing support. We have on occasion, when needed, hired additional experienced staff from other firms, but our preferred method of growth is from within our own staff.

5) **Specify separately the individuals (up to five) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).**

With respect to the Seattle Employee Benefit practice and public sector work, the key individuals are:

Mark Olleman
Nick Collier
Daniel Wade
Jennifer Senta
Robert Schmidt

The above individuals comprise the core senior staff working on public sector work (both retirement and OPEB) in the Seattle practice. Each of these consultants is supported by a variety of actuarial and support staff members, all of whom are important to the efficiency of our work, but are not necessarily key to our public sector clients. No changes have occurred over the last 18 months.

6) **Update all significant personnel changes to the "SamCERA Team".**

There have been no significant changes to the SamCERA team over the last year.

7) **Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months?**

The Seattle office and members of the SamCERA actuarial team have not been involved in any litigation of any kind against Milliman. Milliman does not normally provide disclosures with respect to other litigation which may be pending for other offices or practices not involved in the services for a specific client.

8) **Has an actuarial audit been performed on any of your firm's actuarial products within the past eighteen months? If yes, discuss the audit and the findings. Any material findings or recommendations must be accompanied by an explanation.**

The following clients from our practice have had actuarial audits performed within the past 18 months: SamCERA, LACERA, Texas County & District Retirement System, and PERS of Idaho. There were no material issues found in any of the audits.

9) **Describe the levels of insurance coverage maintained by your firm. E-mail a current certification of insurance to mwong@samcera.org.**

We will email a copy of our certificate of insurance to Mabel Wong.

10) Do you have a written policy on ethics? If so, please e-mail the policy to mwong@samera.org.

Yes. We have an internal confidential policy but it is not available for public distribution. We would be glad to give you a brief review of it if needed. In addition, as members of the various professional organizations, we are expected to comply with the Actuarial Standards of Practice and as members of the American Academy of Actuaries there are a number of policies including a professional ethics policy. Their information is available from their websites or we can provide them for you.

11) Describe the relative strength and longevity of your staff. Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.

Name and Title	Years of Experience
Nick J. Collier, Principal and Consulting Actuary	27 (27 with Milliman)
Daniel Wade, Consulting Actuary	18 (11 with Milliman)
Craig Glyde, Associate Actuary	18 (11 with Milliman)
Jennifer Senta, Associate Actuary	10 (10 with Milliman)
John Botsford, Consulting Actuary	23 (19 with Milliman)
Robert Schmidt, Principal and Consulting Actuary	27 (27 with Milliman)
Mark Olleman, Principal and Consulting Actuary	24 (24 with Milliman)

Note the career stability of each team member. Based on our culture and professional freedoms, we experience low professional employee turnover. Additional public plan consultants in the Seattle office and throughout the firm give us the capacity to meet our clients' needs.

We do not outsource our actuarial or IT services.

12) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?

The only critical system we use to perform services for SamCERA at the current time is our proprietary valuation system called PVS (Pension Valuation System). This system is continuously being updated and improved to reflect changes in the employee benefit arena. It has a scheduled update every six months and more as needed.

13) Provide an overview of your firm's business continuity plan.

The Seattle office has an extensive disaster recovery plan. Smoke detectors, fire alarms, fire extinguishers, sprinklers, physical firewalls, and fire barriers are in place throughout the building. The servers are mounted in racks, which are secured to other racks, which prevent earthquake damage. Filing cabinets and shelves are secured to the walls where necessary. Policies are in place which disallows space heaters and other potential fire-starting devices. The server room has two air conditioning units. The servers are on uninterruptible power supplies. We have a business continuity plan. It is tested by Milliman staff annually and audited annually by the independent accounting firm, Moss Adams. The building management company inspects tenant's space annually. The fire marshal does unannounced inspections approximately twice per year.

In addition, we have had a SAS 70 review, part of which states:

> "Milliman has placed into operation a risk assessment process to identify and manage risks that could affect their ability to provide reliable transaction processing for user organizations. This process requires managers to identify significant risks in their areas of responsibility and to implement appropriate measures to address those risks. This process has identified risks resulting from the nature of the services Milliman provides, and management has implemented various measures to manage those risks".

Actuarial Process

14) Provide a description, in detail, of your actuarial process.

The following summarizes our standard valuation procedures (as stated in our proposal):

1. <u>Data Checking and Preliminary Processing</u>
   SamCERA will supply us with information for each active, vested, and retired member, along with certain financial items. The data will then be checked for reasonableness. Any data issues will be submitted to SamCERA staff for verification.

2. <u>Choosing Assumptions</u>
   Actuarial valuations are necessarily based on assumptions as to future rates of retirement, disablement and death among active members, rates of mortality after retirement, rates of investment income, rates of salary increases, and rates of increase in the Consumer Price Index, where applicable. In valuing SamCERA's benefits, we will use the assumptions adopted by the Board, based on the most recent experience investigation.

3. <u>Valuation Calculations</u>
   Each valuation determines the actuarial present value of all future benefits payable from SamCERA. These benefits are those provided to members under current law. We will determine the actuarial present value of future benefit payments by using a standard Milliman computer program customized for SamCERA. The program can automatically compute costs under the entry age normal cost method, which is specified in the '37 Act. Liability calculations will be checked for accuracy and reasonableness on both an individual and aggregate basis.

We then calculate each valuation group's unfunded actuarial accrued liability (UAAL) as the value of the benefits in excess of the sum of the future normal cost contributions and the current value of assets. Finally, we determine the contribution rate needed for each group to satisfy the amortization period requirements.

4. GASB Disclosures
   As a by-product of our normal actuarial valuation procedures and included in our valuation fees, we develop the information required to be disclosed by Statement Nos. 25 and 27 of the Governmental Accounting Standards Board (GASB), soon to be Statement Nos. 67 and 68. Similar information is required to be disclosed to meet the Guidelines of the Government Finance Officers Association (GFOA) regarding a Comprehensive Annual Financial Report (CAFR). We will provide all necessary information required for these disclosures.

5. Report
   Our report will include our conclusions regarding the financial condition and the unfunded actuarial accrued liability, recommendations as to future contribution rates, discussion of the calculations, GASB disclosures, descriptions of the benefit provisions of the applicable laws and summaries of assumptions and data. Our report typically shows a breakdown of liabilities by source of decrement for active members, as well as subtotals for inactive members. We are open to discuss with SamCERA staff and the Board regarding possible changes in the reporting format for their particular needs. We reflect each system's own characteristics in our report.

   Our goal is to provide enough information for the Board to make reasonable financial decisions without becoming too complex to undermine the basic intent of disclosing the valuation results. However, we are always open to suggestions for improving the communications of our valuation work, if a modified approach is preferred.

15) Describe your peer review procedures in detail.

Peer review is not actually a separate step in our valuation process. Rather it is an ongoing process. We review and check our work at every step of the project.

Our internal peer review processes provide assurances that the highest quality standards are being maintained at all times. Each valuation, study, or projections will be reviewed by at least two consultants. The first level of review will occur within the SamCERA team. Two of the three consultants on the project team will review each step of the project. The final internal review will be performed by Nick Collier and Craig Glyde. Additionally, another Milliman public sector consultant who did not work on the project will review the work. This provides the project with an independent set of eyes. This review will not only verify the calculations, but will evaluate whether or not the assumptions, methods, and results are reasonable.

16) Does your firm engage in peer review with other actuarial firms?

We do actuarial audits for clients where we review the work of another actuarial firm, but we do not have another actuarial firm with whom we do mutual peer reviews.

Outlook

17) What issues are other clients concerned with in regards to products, education and governance?

There are a number of issues concerning our public sector clients right now. Probably the most significant are:

- Pension Accounting and Financial Reporting – GASB Statement #67 (accounting and financial reporting for retirement systems) is being implemented by most systems this year, with GASB Statement #68 (accounting and financial reporting for employers) in the following year. This is a significant focus of our clients.

- Funding Benchmark – GASB has provided a de facto standard for pension funding with its 30-year amortization requirement. Under the new standards, this benchmark no longer exists. Actuarial and industry groups are currently discussing, or have recently published, model funding policies for the public sector to fill this void.

18) Describe your assessment of the relationship between your firm and SamCERA. How can SamCERA better assist you in accomplishing the goals it has established for your firm? How can we better utilize your firm's capabilities?

As with all relationships, communication is the key factor. We have attempted to reply promptly and effectively to all inquiries. We have attempted to alert SamCERA of any relevant issues as they become apparent to us or are reported to us. Similarly, SamCERA staff has kept us up-to-date on issues that affect our work. We have felt very positive about being supported by SamCERA and we hope the relationship will continue to grow.

Probably the most significant way we can assist SamCERA is in the understanding of the volatility of future investment returns and the impact on future contribution rates. We have provided SamCERA some fairly simple projections in the past, but have the capability to do more sophisticated analysis as the need arises. However, given the projected decline in the required employer contribution rates and the County's commitment to fund at a higher fixed level, this may be less of an issue.

19) What is your firm's outlook and readiness regarding implementation of the enacted changes in GASB 67 and 68 accounting standards relative to the pension industry? Please list and discuss each proposal separately

Internally, Milliman has a GASB taskforce, made up of a group of public plan consultants, who have developed templates for calculating and reporting financial information under the new GASB standards.

We have already assisted one client with both GASB 67 and 68 reporting. For all of our other major clients, we have conducted "dry runs" and are close to implementation of GASB 67.

Conclusion

20) Is there any information that would be timely pursuant to SamCERA's contract and this annual review?

No.

21) Are your clients making significant changes in their asset mixes or economic and non-economic assumptions? Describe these changes.

We've seen very modest changes in asset mixes recently.

The trend we have seen in regard to economic assumptions is a lower investment return assumption and lower wage and price assumptions. This has continued over the last several years, although we think most of the changes have been made and the assumptions will stabilize for most systems. One outside factor that could influence this is a revision to the Actuarial Standards of Practice relating to economic assumptions that will become effective in 2015. The revised standard requires that the actuary report the valuation results using alternative assumptions if they do not believe the assumptions adopted by the retirement are "reasonable." It should be noted that we believe that economic assumptions recently adopted by the SamCERA Board are reasonable, although we will continue to monitor this as the economic environment changes in the future.

On the non-economic area, about the only real changes are a strengthening in the mortality assumptions. We now have several clients who have decided to adopt generational mortality assumptions, which build in future expected mortality improvements based on an individual member's year of birth. This type of assumption may be difficult under the '37 Act, as our understanding is that at least some attorneys feel the system must use valuation assumptions for your benefit option conversion factors.

22) What actuarial related changes should SamCERA consider?

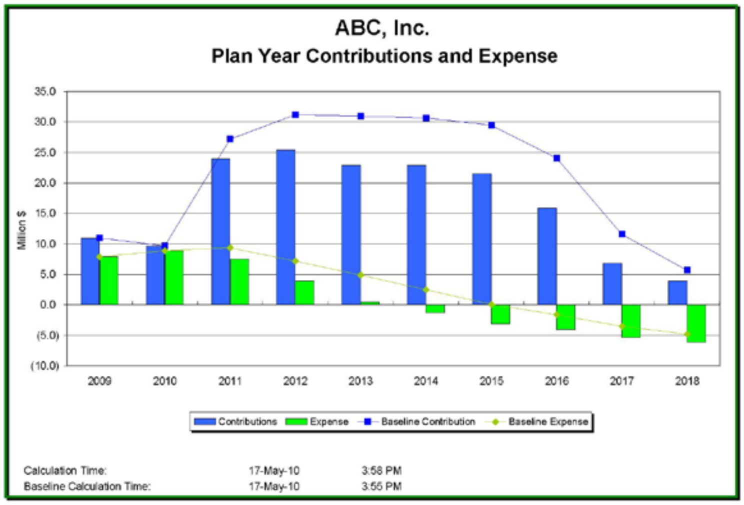
We do not believe there are any actuarially related changes that need to be made at this moment.

23) Relative to your expertise, what trends are occurring in the retirement industry that SamCERA should be tracking?

We believe the key trends are as follows:

- Reductions in Benefit Levels – Across the country, states and municipalities have adopted lower benefit levels. In particular, some governing bodies have reduced COLAs based on benefits already earned. However, there does not appear to be any movement toward this type of change in California.
- Lower Investment Return Assumption – Retirement systems have been adopting lower investment return assumptions over the last 10 years. Of particular note is a proposed change in the actuarial standard of practice pertaining to economic assumptions that would give the actuary less latitude in their recommendations. We believe this could result in further decreases.

Have you estimated the required contributions for your pension plan for the next five to ten years? Do you know what your accounting costs will be over that period? Milliman can provide a custom projection that allows you to plan and anticipate what's ahead.



For further information, please contact:

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Milliman is the leading provider of actuarial services in the Northwest. In the Seattle office alone, we have more than 15 licensed actuaries – assisting clients of all sizes and across all industries, including private corporations, not-for-profit organizations, public employers and multiemployer trusts.

Milliman consultants are able to:

- Audit your plans and funding policies and make recommendations to align your plans and policies with your overall objectives
- Forecast financial needs using state-of-the-art modeling techniques and software
- Assist with IRS reporting requirements
- Update you on legislative, industry and workforce changes
- Clearly communicate plan details to decision makers and employees using concise, comprehensible language, visual representations and real-world examples.

Milliman actuarial consultants have produced pension plan financial projections for over 25 years for our clients and are uniquely positioned to assist you. Here's why…

FOSTER QUALITY DECISIONS

We help plan sponsors understand the options, the risks and the expected costs of alternatives. Decisions about plan design, investment policy and funding policy are placed in a context that looks long term.

ALIGN BENEFIT DESIGNS AND COSTS WITH GOALS

Retirement plans need to serve organizational and financial goals of a company. Whether it is maintaining an existing plan, implementing a new plan or wrapping up an existing plan, our financial projection analysis will help assure that the costs are understood and properly budgeted.

PRUDENT PLAN MAINTENANCE

We help sponsors satisfy IRS regulatory requirements and accounting needs accurately and with confidence that the interests of all stakeholders are being met. Financial projection analysis will help to plan for the future as part of this process.

PREVENT SURPRISES

The use of pessimistic and optimistic scenarios in addition to baseline scenarios can provide understanding of the risks that plan sponsors carry. Understanding the potential for adverse events is the first step in risk control.

IDENTIFY CRITICAL DECISION POINTS

With pension funding, there are sometimes critical decision points, for example, making discretionary contributions to a pension plan. Changing direction after one of these decision points can be costly. Financial projections help to identify these decision points, enabling the plan sponsor to weigh the advantages and disadvantages in advance, and avoiding last minute decisions.

San Mateo County Employees' Retirement Association
Board of Retirement

September 30, 2014 Agenda Item 6.1

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

Michael R. Coultrip

SUBJECT: Preliminary Monthly Portfolio Performance Report for the Period Ending August 31, 2014

Staff Recommendation

Review the preliminary performance report dated August 31, 2014.

Background

This preliminary report is intended to provide a high-level view of the portfolio and its trends. It is not intended to provide short-term performance upon which the Board would act. As discussed previously, preliminary performance estimates are now included for Angelo Gordon's STAR, AQR's risk parity, and AQR's hedge fund portfolios. The quarterly performance metrics are not yet available for our private equity and real estate portfolios. The performance for these portfolios will be reflected in the quarterly performance report generated by SIS.

The attached performance report shows both net and gross of fee returns for the total plan on page one, with net composite returns (pages 2-3) and net manager returns (pages 4-12) also shown.

Discussion

The fund's net preliminary return for August was +1.75%, while the preliminary trailing twelve- month return was +15.9% net (+16.3% gross). The twelve-month net return is lower than SamCERA's Total Plan Policy Benchmark return of 16.5% but above the Actuarial Assumed Earnings Rate of 7.25%. As a reminder, SamCERA should expect performance to vary substantially from that of the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

Domestic equity was positive across the board in August, with the S&P 500 surging to a record by month-end. Most market segments were up between 3-5%, more than making up for the losses in July. The broad domestic equity market was 4.2% higher. Small-cap stocks outperformed large-capitalization stocks while growth stocks generally outperformed value stocks. Economic data continued to be relatively strong. The revised GDP growth estimate for the 2nd quarter was revised to 4.2%, up from the initial estimate of 4.0%.

International equity indices were mixed on the month, with developed markets (as measured by MSCI EAFE) down slightly -0.15%, while emerging markets were up +2.3%.

The general fixed income market was higher by +1.10% as interest rates (as measured by 10-year Treasuries) decreased by 23 basis points during the month. High yield bonds were up +1.4%, while emerging market bonds were up +0.7%.

Attachments

SIS Market Update
Northern Trust Performance Report

U.S. EQUITY

August was a strong month for U.S. equities with across-the-board gains, more than making up for July.

In the U.S., Growth outperformed Value and Small Caps outperformed Large Caps. For the month, the Russell 1000 Growth Index was up by +4.6% and the Russell 1000 Value Index up by +3.7%. The Russell 2000 Growth was up by +5.6% and the Russell 2000 Value Indices gained +4.4%. The S&P 500 Index ended the month higher by +4.0%.

The S&P 500 Index has a trailing P/E ratio of 19.2, a forward 12-month estimate P/E ratio of 16.8 and dividend yield of 1.9%.

Of the companies that have posted results so far this earnings season, 76% beat earnings estimates and 65% exceeded sales projections.

Corporate merger highlights for the month included: Scientific Games will pay about $3.3 billion to buy Bally Technologies in a deal that will combine makers of gambling equipment; Gannett will buy the 73% interest it doesn't already own in Classified Ventures, the parent company of Cars.com, for $1.8 billion; Telefonica offered to buy Vivendi's Brazilian internet-provider unit GVT for $9 billion; Walgreen will buy the remaining 55% of Alliance Boots, Europe's largest pharmaceutical chain, for $15 billion; Cerner will buy Siemen's health information technology unit for $1.3 billion; Fannie Mae earned $3.7 billion in the 2nd quarter and will pay a dividend of $3.7 billion to the U.S. Treasury in September; U.S. buyout firm TPG Capital offered $3.2 billion for Treasury Wine Estates, matching a takeover bid by KKR and Rhone Capital; Sanofi will pay MannKind as much as $925 million for global rights to the world's only available inhaled insulin; FleetCor Technologies will buy payments business Comdata from Ceridian for about $3.45 billion; General Electric is in talks to sell its home appliance business to Electrolux AB, the sale could bring up to $2 billion; A Chinese group offered to buy U.S. digital imaging chipmaker OmniVision Technologies for $1.7 billion; Royal Dutch Shell is selling shale formations in Louisiana and Wyoming for $2.1 billion; Coca-Cola is buying a 16.7% stake in Monster Beverage for $2.15 billion; Roche is in talks to buy the almost 40% stake in Japan's Chugai Pharmaceuticals that it does not already own for about $10 billion; Dollar General upped the bidding war for Family dollar to $8.95 billion; Allergan has approached Salix Pharmaceutical and at least one other company in a bid to avert a $53 billion hostile takeover from Valeant; PetSmart announced it is considering putting itself up for sale; German chipmaker Infineon will buy Silicon Valley-based International Rectifier for about $3 billion; Houston power producer Dynergy will spend $6.25 billion to buy coal and gas power generation plants from Duke Energy and Energy Capital Partners; Swiss pharmaceutical company Roche will buy InterMune, a developer of treatments for lung diseases, for $8.5 billion; Amazon is buying Twitch, a service that lets users watch and broadcast video game play, for more than $1 billion; and, Burger King Worldwide will buy Canadian coffee and doughnut chain Tim Hortons for $11.5 billion and move its headquarters to Canada, the new company will have 18,000 restaurants in 100 countries.

FIXED INCOME

The Congressional Budget Office forecast that the U.S. economy will grow by just 1.5% in 2014, undermined by a poor performance during the first three months of the year. After a bleak start to the year, the U.S. economy grew at a brisk annual rate of 4.2% in the second quarter according to an upwardly revised estimate by the government.

According to August released Federal Reserve minutes, most Fed policymakers weren't ready to signal an earlier-than-anticipated increase in short-term interest rates despite the improving economy and labor market. Fed chair Janet Yellon repeated language the Fed used that record-low interest rates will likely remain appropriate for a considerable time. The majority of economists foresee The Federal Reserve to move slowly when it starts to raise borrowing costs from record lows and that it won't do so until the 2nd quarter of 2015.

The yield on the bellwether 10-year Treasury note rose to 2.35% at the close of August from its July close at 2.58%. At month-end, the 30-year bond yield was 3.09% with the 3-month T-bill at 0.03%. The Barclays Capital US Aggregate Index was up a strong +1.1% in August.

Foreign buyers of U.S. Treasury securities increased their holdings in June, topping $6 trillion for the first time.

A third of people (36%) in the U.S. have nothing saved for retirement, according to new Bankrate.com survey.

On the economic front, the following key data was released in August that was predominantly positive:

THE GOOD

* U.S. manufacturing expanded for the 14th straight month in July.

*The Global Business Travel Association predicts that worldwide business travel will grow 6.9% this year to a record $1.18 trillion.

*The Commerce Dept. reported that factory orders in June climbed a seasonally adjusted 1.1%, the fourth gain in five months and the level of $503.2 billion is the highest on record.

*The Institute for Supply Management reported that its services index rose to 58.7, the highest level since December 2005.

*The Commerce Dept. reported that orders for durable goods rose a sturdy 1.7% in June.

*The U.S. trade gap shrank -7.0% to $41.5 billion, the lowest level since January.

*The national average price of regular gasoline is $3.48 a gallon, a four-year low for August.

*The Labor Dept. reported that 2nd quarter productivity increased +2.5% at a seasonally adjusted annual rate, after plummeting -4.5% in the first quarter.

*The National Federation of Independent Business reported that it's Small Business Optimism Index increased by 0.7 points to 95.7 last month.

*The median price for existing single-family homes increased 4.4% from a year earlier to $212,400.

*The Home Builders/Wells Fargo builder sentiment index rose this month to 55; readings above 50 indicate more builders view sales conditions as good.

*U.S. consumer prices rose 0.1% in July, the slowest pace in five months, held back by a drop in gasoline prices. Consumer inflation is up 2.0% over the past twelve months.

*U.S. home construction rebounded 15.7% in July to a seasonally adjusted annual rate of 1.09 million homes; an eight-month high.

*Sales of existing U.S. homes rose for the fourth straight month in July to their highest level in nearly a year.

*The Conference Board's index of leading indicators rose 0.9% last month, the sixth straight increase.

*Durable goods orders rose a record 22.6% in July after an upwardly revised 2.7% increase in June.

The Conference Board reported that its index of consumer attitudes rose to 92.4 in August, the highest level since October 2007.

THE NOT SO GOOD

*The Commerce Dept. reported that retail sales were virtually unchanged from June, ending five months of increases.

*Large employers expect to see increases in health benefit costs next year of about 6.5%.

*Consumers took out $101 billion in new auto loans in the 2nd quarter, the most in eight years. Outstanding auto loans rank third behind mortgages and student loans.

NON-U.S. MARKETS

GDP in the U.K. rose a solid 0.8% in the second quarter, unchanged from the initial release. This left GDP up 3.2% year-over-year.

After four quarters of meager growth, the fragile economic recovery in the 18-country Eurozone screeched to a halt in the second quarter as growth was zero. GDP year-over-year now stands at +0.7%. German investor confidence has eroded sharply over the first eight months of the year. The headline Zew index of expectations plunged -18.5 points to 8.6 in August. Eurozone inflation is dangerously low as massive slack persists in the labor market. The overall Eurozone unemployment rate remained unchanged at 11.5% in July.

The VAT hike in Japan on April 1st has sent the economy into a tailspin. GDP plunged -1.7% in the second quarter, wiping out the 1.5% gain in the first quarter. Not surprisingly, private domestic demand was quite weak. Industrial production rose by only 0.2% in July in Japan following the severe -3.4% drop in June.

China's buoyant exports pushed its trade surplus to an all-time high of $47 billion in July.

Non-U.S. equities were mixed in August. The MSCI ACWI Ex-U.S. was up +0.6% (US dollars) for the month. International Developed stocks (EAFE) were down -0.2% while Emerging Markets gained +2.3% for the month.

CONCLUSION

There were a number of positive economic statistics released in the U.S. in the month of August. Conversely, Europe and Japan seemed to be at the opposite end of the spectrum with a plethora of negative economic releases. U.S. equities followed the path of economic releases posting strong returns for the month of August as the S&P 500 Index and Dow Jones Industrial Index reached all-time highs.

The U.S. economy appears to be expanding at a pace that is about as fast as any point subsequent to the Financial Crisis of 2008. Growth appears to be broad based and running at a 3.0%-3.5% level. The strength in the economy does not appear to correspond to immediate concerns of the Federal Reserve raising short-term rates anytime soon.

The growth of the economy also seems to be causing an inflection point being reached in the credit markets, where credit growth has resumed for the first time since 2008.

The themes of 2014 have been of rising equity prices, declining rates, declining volatility, with a favorable environment for risk assets overall. Deflation risk is also on the increase particularly in Europe and Japan (again).

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Aug-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	4.20	4.70	9.23	24.74	22.51	20.65	17.22	7.11	8.83
Russell TOP 200 Index	3.82	4.65	9.60	25.37	21.50	20.68	16.42	6.55	7.90
Russell TOP 200 Growth Index	4.21	4.78	9.74	27.53	20.32	20.12	17.41	8.48	8.67
Russell TOP 200 Value Index	3.43	4.52	9.47	23.30	22.70	21.23	15.41	4.59	7.11
S&P 500 Index	4.00	4.69	9.89	25.25	21.93	20.61	16.88	6.79	8.38
Russell 1000 Index	4.13	4.78	9.90	25.36	22.57	20.80	17.24	7.10	8.78
Russell 1000 Growth Index	4.58	4.99	9.48	26.29	21.26	19.95	17.82	8.43	9.20
Russell 1000 Value Index	3.68	4.57	10.35	24.43	23.76	21.57	16.62	5.63	8.23
Russell Mid-Cap Index	4.83	5.08	10.56	25.32	25.11	21.04	19.29	8.49	11.07
Russell Mid-Cap Growth Index	5.39	5.43	8.89	23.67	23.82	19.65	19.14	8.50	10.97
Russell Mid-Cap Value Index	4.24	4.71	12.48	27.20	26.29	22.33	19.45	8.25	10.92
Russell 2000 Index	4.96	3.85	1.75	17.68	21.90	19.00	17.03	7.25	9.36
Russell 2000 Value Index	4.35	2.37	2.16	18.10	21.20	18.78	15.74	6.20	8.43
Russell 2000 Growth Index	5.58	5.34	1.38	17.30	22.60	19.21	18.29	8.21	10.22
DJ US REIT Index	2.79	3.89	21.78	24.30	11.19	13.93	18.76	5.12	8.81
DJ-UBS US Commodity Index TR	-1.46	-5.42	0.68	-2.92	-6.84	-8.30	0.22	-3.31	0.26
DJ-UBS US Gold Index TR	-0.73	3.22	6.89	-8.01	-13.02	-11.59	5.57	8.74	11.17

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Aug-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	0.57	1.31	5.46	18.25	15.84	9.76	8.64	1.94	8.41
MSCI AC World Index	2.25	2.99	7.61	21.61	18.83	14.68	12.38	4.21	8.41
MSCI EAFE Index	-0.15	-1.13	2.93	16.92	18.04	11.87	8.69	1.59	7.50
MSCI Emerging Markets index	2.29	7.18	10.95	20.40	10.20	4.70	8.24	2.77	12.52
ML Global Government Bond Ex. U.S. Index	0.11	-0.10	4.31	3.25	-4.47	-2.97	2.07	4.66	4.29
Euro	-1.56	-3.47	-4.41	-0.11	2.22	-2.92	-1.70	-0.49	0.81
Japanese Yen	-1.01	-2.06	1.17	-5.55	-13.18	-9.71	-2.24	1.58	0.55
UK Pound Sterling	-1.63	-0.99	0.27	7.36	2.25	0.66	0.38	-2.74	-0.80

US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Aug-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.00	0.01	0.03	0.05	0.08	0.07	0.10	0.59	1.61
BarCap Aggregate Bond Index	1.10	0.90	4.81	5.66	1.51	2.91	4.48	5.16	4.72
ML U.S. Corp/Govt Master Index	1.26	1.09	5.39	6.07	1.53	3.22	4.78	5.22	4.74
ML U.S. Corporate Master Index	1.43	1.48	7.33	9.32	3.85	5.87	7.25	6.68	5.70
BarCap Mortgage Backed Securities Index	0.94	0.61	4.39	5.42	1.45	2.18	3.68	5.01	4.73
ML U.S. High Yield Master Index	1.53	1.02	5.74	10.53	8.97	10.31	12.07	9.13	8.50
JPM EMBI Global	0.66	1.38	9.94	13.91	3.78	7.03	9.52	8.53	8.82

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 30, 2014 Agenda Item 6.2

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

Michael Coultrip

SUBJECT: Approval of Resolution Amending Section 17 "Securities Lending" of the Investment Policy Statement

Staff Recommendation

Approve a resolution amending Section 17 "Securities Lending" of the Investment Policy Statement to authorize the use of the higher credit rating for split-rated borrowers in the determination of whether a borrower meets the credit requirements.

Background

Staff has been working with Northern Trust to implement the securities lending program consistent with the revised SamCERA Investment Policy Statement (the "Policy") that was approved by the Board during the June 2014 Board meeting. Section 17.0 of the revised Policy stipulates that borrowers have a minimum credit rating of 'A' (by S&P) or 'A2' (by Moody's). The Policy is silent on situations in which the rating is different between rating agencies (i.e for a split-rated borrower). For implementation purposes, staff instructed Northern Trust to use the lower rating in these situations.

Deutsche Bank was downgraded by Moody's on July 29th to A3 from A2. Consistent with SamCERA's Policy, Deutsche Bank was removed from the SamCERA securities lending program, and all securities out on loan to them were recalled. Deutsche Bank is a borrower of significant size within Northern's securities lending program, both in total U.S. volume on loan and in international volume on loan.

Discussion

Formally changing the Policy to use the higher of the ratings if the borrower is split-rated would allow the following borrowers to be eligible counterparties within the SamCERA securities lending program: Deutsche Bank, Morgan Stanley and Co, LLC; Morgan Stanley & Co. International PLC; Citigroup Global Markets; Goldman Sachs, LLC; and Merrill Lynch, Pierce, Fenner & Smith Incorporated (Bank of America). These six borrowers combined represent approximately 50% of Northern's U.S. volume on loan and approximately 25% of Northern's international volume on loan, which would allow for greater program participation while adding more diversification across borrowers within SamCERA's securities lending program.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 14-15-___

RESOLUTION AMENDING SECTION 17.0 "SECURITIES LENDING" OF THE BOARD OF RETIREMENT'S INVESTMENT POLICY STATEMENT

WHEREAS, pursuant to Article XVI, Section 17, of the California Constitution, the Board of Retirement (the "Board"), has the exclusive authority and exclusive fiduciary responsibility for the investment and administration of the assets of the retirement system (the "Fund"), and on June 3, 2014, established an Investment Policy Statement (the "Policy") for the investment of the Fund assets; and

WHEREAS, the purpose of the Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937 ("the 1937 Act"), the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers and investment consultants; and

WHEREAS, the Board desires that its Policy be reviewed and amended as necessary so as to remain up to date; and

WHEREAS, Staff, in consultation with Northern Trust, recommends that Section 17.0 "Securities Lending" of the Policy, which set forth the minimum credit ratings of borrowers for the Fund's securities lending program be amended to address borrowers who have received different ratings by different rating agencies and in such situation to authorize the use of the higher of the multiple ratings to determination if a borrower meets the requirements; and

WHEREAS, the Board has reviewed the proposed amendment to Section 17.0 "Securities Lending" of the Policy and believes that such amendment is in the best interest of the Fund as it would allow for greater participation SamCERA's securities lending program and will add more diversification across borrowers; and

Now, therefore, be it

RESOLVED, that Section 17 "Securities Lending" of the Board of Retirement Investment Policy Statement be amended to add section (iv) to subdivision C and it shall read as follows:

> "iv) Borrower must have a long-term credit rating of either "A" from S&P or "A2" from Moody's. For split rated borrowers, the higher rating shall prevail if not the same rating."

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 30, 2014 | Agenda Item 6.3

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer Michael Coultrip

SUBJECT: Report on Fixed Income Manager Annual Reviews (Angelo Gordon, Brigade Capital Management, Brown Brothers Harriman, Pyramis, and Western Asset Management)

Staff Recommendation:
Review the report on the annual review of SamCERA's Core, Opportunistic Credit and TIPS managers.

Background:
The Core, Opportunistic Credit, and TIPS annual manager reviews occurred over multiple days to accommodate various scheduling conflicts. On August 25th, SamCERA staff and consultant held annual review meetings in SamCERA's office for one of our Core managers (Western Asset Management). Angelo Gordon (Opportunistic Credit) and Brown Brothers Harriman (TIPS) were reviewed on September 4th, while Brigade (Opportunistic Credit) and Pyramis (Core) were reviewed on September 11th.

Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

Discussion:
Western Asset Management's U.S. Core Full Discretion strategy, which is a core plus product that can hold up to 20% in high yield and 20% in non-U.S. exposure, was reviewed in August.

Next, on September 4th,Angelo Gordon's Securitized Asset Recovery (STAR) and Opportunistic Whole Loan (OWL) strategies were reviewed. STAR focuses on non-agency RMBS and CMBS, while OWL focuses on reperforming and non-performing whole loans. Next, Brown Brothers Harriman's Inflation Index Securities strategy was reviewed. BBH uses fundamental, technical and opportunistic strategies when managing the TIPS portfolio.

On September 11th, Brigade Capital Management's Opportunistic Credit product, which is a fundamental, bottom-up strategy focused on high yield corporate bonds and bank loans with tactical allocations to structured securities, convertibles and other sectors of the bond markets, was reviewed. Lastly, Pyramis Global Advisors' Broad Market Duration product, which is a commingled pool that focuses in U.S. Treasuries, agencies, investment grade corporate bonds, mortgage-backed and asset-backed securities, was reviewed.

There were no significant concerns identified during the portfolio reviews. Attached you will find meeting notes from SIS summarizing the findings from these annual reviews.

Attachments:

A. *Angelo Gordon Securitized Asset Recovery Fund and Opportunistic Whole Loan Fund Annual Review Meeting Notes*
B. *Brigade Capital Management Opportunistic Credit Annual Review Meeting Notes*
C. *Brown Brothers Harriman Inflation Indexed Securities Annual Review Meeting Notes*
D. *Pyramis Core Bond Annual Review Meeting Notes*
E. *Western Asset Management Core Full Discretion Annual Review Meeting Notes*

Date of meeting: 9/4/2014

Location: SamCERA Office

Manager Representative(s)

Jonathan Lieberman (Managing Director)
Ruth Gitlin (Managing Director)

SIS Representative(s)

Ping Zhu

Client Representative(s)

Mike Coultrip, Christopher Miller, Scott Hood, and Lilibeth Dames

Product Description

The Angelo Gordon Securitized Asset Recovery (STAR) Fund focuses on CMBS and non-Agency RMBS priced between 25%–75% of par, which Angelo Gordon believes are mispriced due to their complex nature and a dearth of natural buyers capable of accurately valuing these assets. In addition, Angelo Gordon (AG) will target securities that are well-positioned to benefit from home and commercial property price stabilization and recovery, and/or borrower credit quality improvement. In this regard the STAR Fund will be more aggressive than the PPIP Fund since it will target securities that are more geared to a recovery of the commercial and residential real estate markets. The Fund will utilize a moderate amount of leverage (1x to 1.5x) and is targeting a base case 15% net IRR with a downside return in the mid/high single digits and an upside projection of 25%+ returns.

The Angelo Gordon Opportunistic Whole Loan (OWL) Fund is recently established to make investments primarily in a portfolio of non-performing loans (NPLs) and re-performing loans (RPLs). AG sees a lot of operational inefficiency in the market place. By acquiring these loans at a discounted price and replacing original servicers with better-focused special servicers, AG believes it can improve operational efficiency and generate attractive returns. In addition, OWL may also include investments in new residential mortgage loans and excess mortgage servicing rights. Opportunistic investments in commercial mortgage loans and other mortgage related investments may also be included in the Fund's portfolio. The Opportunistic Whole Loan Fund targets a net IRR of 15%.

Meeting Notes

Organization

With over 300 employees and more than 110 investment professionals, Angelo Gordon remains privately owned. The firm specializes in global alternative investments with focus on a variety of absolute return strategies. AG just launched a new "energy lending" strategy with a four-person team in Texas.

As of June 30, 2014, Total AUM is $26.7 billion. Sixty percent of the total AUM ($16.2 billion) are in credit-related strategies, including distressed, RMBS/ABS, corporate credit, and some arbitrage strategies.

Investment Team

Angelo Gordon's residential and commercial real estate debt team is stable. The team is led by Jonathan Lieberman, head of residential/consumer loans, and Andrew Solomon, head of commercial real estate debt. Michael Gordon, co-founder and CIO of Angelo Gordon, also plays important role overseeing both strategies.

Investment Strategy

AG's outlook on housing fundamentals remains favorable. For example, the manager sees a slowdown in home price appreciation in certain parts of the country (e.g., San Francisco, Las Vegas, Arizona), while it continues to see price appreciation in other areas (such as Midwest and Northeast). AG believes that employment, wages inflation, and credit extension will be key drivers for home prices going forward. Jonathan mentioned that many regions have short supply of houses, and he believed the lower housing turnover is partly because of the low mortgage rate, as well as homeowners' inability to extract equity from their houses.

Jonathan also mentioned that REO to rental investors have slowed down and consolidated their investments as home prices appreciate, which allows first-time home buyers to come back to the market. Low-end housing continues to be in high demand while high-end market tends to be choppier and differs by regions. On the commercial side, cap rate continues to decline and some new capitals are flowing to tertiary markets.

The team is concerned about geopolitical issues, including the economic challenges in Japan, Europe, and China. AG thinks that challenges around the world will gradually catch up to the United States. As such, the manager is not concerned about the intermediate and longer term Treasury rate hike, especially given the low rate for European government bonds. It does expect to see shorter term Treasury yield to increase as the Federal Reserve normalizes interest rate. On the whole loan side, Jonathan believes the market is offering him return premium by taking on execution risk. Because the strategy can exert more controls over its servicers, Jonathan believes the whole loan investments have better downside risk protection than securitized papers thanks to lower valuations.

Jonathan gave us a demo on several non-performing mortgages the Fund recently acquired out of Massachusetts, including the location of those properties, appraisal value, mortgage purchase price, etc. To help preserve the property value, AG intends to short-sell those properties instead of going through a foreclosure process. Jonathan also discussed some other transactions in the Funds, including some NPLs in Puerto Rico, transaction related to a pool of insolvent consumers, as well as a large RPL transaction which AG sold the senior tranche and retained equity risk.

Finally, Jonathan updated us on fundraising for OWL. AG estimates the current total commitment to be slightly over $300 million. The team is sizing each position based on currently committed capital, and it's very selective in terms of their purchase prices. AG is hoping to close the Fund at around $500 million by the end of 2014. Note that OWL has a two-year investment period starting from its first call date.

Performance & Positioning

As of June 30, 2014, the AG STAR Fund has drawn over $34 million capital out of SamCERA's $35 million total commitment. AG expects to call the remaining capital commitment by the first quarter in 2015. The STAR Fund portfolio has 235 positions, with 70% allocated in RMBS and 30% allocated in CMBS. The Fund's leverage is 1.64x. Year-to-date performance has been quite strong at around 12.2% net of fees. SamCERA's investment in the STAR Fund is valued at $41.6 million as of June 30, 2014.

Out of SamCERA's $25 million total commitment to AG OWL Fund, AG has called over $8.8 million capital in June 2014, followed by a $5 million and a $1.25 million capital call in July and August, respectively. Given the very recent inception date of the Fund (April 21, 2014), performance is not meaningful at this point. Currently, the OWL fund is 60% allocated in RPLs and 40% in NPLs.

Date of meeting: 9/4/2014

Location: SamCERA Office

Manager Representative(s)

John Ackler (Senior Vice President)

SIS Representative(s)

Ping Zhu

Client Representative(s)

Mike Coultrip, Christopher Miller, Scott Hood, and Lilibeth Dames

Product Description

Brown Brothers Harriman (BBH) manages TIPS using three main types of strategies: Fundamental, Technical, and Opportunistic. The Fundamental bucket has two sub-strategies, real yield duration and real yield curve slope versus nominal yield curve slope. The Technical strategies consist of yield curve roll-down, auction cycle trading, seasonal versus non-seasonal CPI, and security selection/option value analysis. Finally, nominal Treasuries versus TIPS, sector relative value (i.e., corporate or Agency inflation-linked bonds), and non-dollar inflation-linked bonds make up the Opportunistic group. Real yield duration is held to +/- one year versus the benchmark and the portfolio has a limited allocation to non-index securities, typically 5%–10% with a maximum of 20% (including nominal Treasuries).

Meeting Notes

Organization

In 2013, FINRA conducted a review of BBH's sizable penny stock transactions in Luxembourg. As a result, FINRA levied an $8 million fine on BBH and an additional fine imposed on its anti-money laundering compliance director, Harold Crawford. According to FINRA, BBH failed to have an adequate anti-money laundering program in place to monitor and detect suspicious penny stock transactions. BBH and Crawford neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

BBH exit the small brokerage business after the FINRA audit. The firm also made some personnel changes to beef up its compliance division. On April 1, 2014, Erica Bens was appointed Director of Risk and Governance for BBH Investment Management, a newly created role. Ms. Bens was previously with BBH's office of general counsel.

Investment Team

BBH has a small but seasoned team managing its TIPS strategy. The team is comprised of four investment professionals, all of whom are located in the firm's New York office. There has been no recent change to the BBH U.S. TIPS investment team.

The team is led by James Evans, who has been managing the strategy since its inception. As a portfolio manager, James is 100% focused on the TIPS strategy. Gregory Steier, managing director, spends about 50% of his time on the TIPS strategy. Jorge Aseff is the head of quantitative research across various fixed income products, including TIPS. Douglas Mark is the primary trader for TIPS strategy although he also trades government securities for other BBH fixed income products.

Investment Strategy

As of June 30, 2014, 19% of BBH's $29 billion fixed income AUM is in the TIPS product.

Unlike some other managers who overlay credit and other securities in their TIPS products, BBH's TIPS strategy is exclusively invested in inflation-linked securities and government bonds. Their investment process is focused on three strategy categories: fundamental, non-directional, and opportunistic. The fundamental strategy is more macro focused, using economic factors to check if real rates match up with status of economy. Due to lower batting average of this strategy, BBH only takes small active risks. By comparison, the manager's non-directional strategy tends to get more active risk budget due to higher batting average (e.g., auction cycle trading, seasonal pattern, deflation floor, index extension, etc.). The manager's opportunistic strategies include purchasing non-dollar inflation-linked bonds from large foreign countries. For example, the portfolio has a 1.8% allocation in UK as of June 30, 2014, which is a small tactical position and is likely to get sold if the team sees higher inflation in that country.

When asked about the valuation of TIPS market, John said he is pleasantly surprised by the strong performance of TIPS for this year. However, John continues to believe TIPS valuation is attractive at current 2% breakeven rate. Due to continued pessimism among market participants, BBH sees improvement in labor market that has not been priced in. As such, BBH believe it is still a good time to buy inflation protection, and that TIPS will outperform nominal Treasury bonds with similar durations (For nominal Treasury bonds, BBH estimates that a fair 10-year Treasury yield should be 100 basis points over what is currently priced in the Treasury market).

In terms of liquidity, John commented that TIPS market is not as liquid as Treasuries market, but it is still very liquid. John also commented that U.S. economy is in good shape, although things are much worse on the European side. BBH expects that any rate hike from the Federal Reserve will be gradual.

Performance & Positioning

As of June 30, 2014, SamCERA's TIPS account's trailing 12-month return underperformed its benchmark by 1.02%. However, the majority of the underperformance was attributed to the account's duration hedge overlays, which reduced overall return by 0.87%. The second largest performance detractor was the manager's security selection (-18 basis points), which was partially offset by its duration positioning on real yield (+14 basis points). Additionally, the portfolio's overweight in the intermediate part of the yield curve subtracted from performance.

The current low-volatility environment and rich market valuations have proved to be challenging for active, value-oriented managers like BBH. John expects this challenging environment to continue because central banks' interventions are continuing to suppress market volatility.

As of June 30, 2014, SamCERA's investment in BBH is $80,044,075.

Date of meeting: 9/11/2014

Location: SamCERA Office

Manager Representative(s)

Gregory Soeder (Director of Strategies)
Robert Brady (Director of Sales)

SIS Representative(s)

Ping Zhu

Client Representative(s)

Mike Coultrip, Scott Hood, and Lilibeth Dames

Product Description

Brigade Opportunistic Credit is a fundamental, bottom-up strategy focused on high yield corporate bonds and bank loans with tactical allocations to structured securities, convertibles and other sectors of the bond markets as they become attractive on a relative value basis. While performing credits represent the majority, Brigade will invest up to 35% of the portfolio in distressed securities and restructuring situations if these types of opportunities are attractive on a risk-adjusted basis and the timing is right with respect to the credit cycle. The portfolio is comprised of mostly North American issuers, but they are not restricted geographically and expect to have a moderate allocation to Europe over time. Although the portfolio is generally long-only, Brigade has the ability to implement a limited amount of tactical macro hedges.

Meeting Notes

Organization

Effective as of July 1, 2014, Brigade Capital Management, LLC was converted from a Delaware limited liability company (LC) to a Delaware limited partnership (LP). This conversion is mostly for tax reasons for the firm's partners.

Brigade expects to relocate its European office from Zürich to London in the near future. The firm is also setting up a wholly owned subsidiary to operate out of Tokyo, Japan.

Assets have continued to grow. Total AUM is $16.1 billion (as of August 1, 2014), compared with $14 billion as of June 30, 2013. The majority of asset growth has come from its opportunistic credit strategy, which has grown from $3.7 billion to $7.3 billion during this period. Brigade has also seen a general shift in its client base, away from fund-of-funds and towards large, institutional public and private pension and sovereign wealth plans.

Investment Team

Ben Renshaw, former co-PM of Brigade's opportunistic credit strategy, has officially retired from Brigade. Ben has been working at Brigade's Zürich office since 2011 to oversee the firm's expansion into Europe. Going forward, Matt Hartnett and Simon Baukh will be taking over Ben's responsibilities in Europe. Brigade recently hired two new analysts at its London office, Niall Sheehan and Paul Sisak. In addition, Brigade hired Jared Worman as a senior analyst in its New York office, and Kensuke Fushitani to head Asian Markets Research in its Japan office. The firm currently has a 102-person team, including 48 investment professionals.

Investment Strategy

In terms of capacity, Brigade feels its opportunistic credit strategy still has the ability to manage an additional $1 billion to $1.5 billion over time without expanding its current investment scope. The firm continues to build up its team, and it may also expand the strategy to invest more in European opportunities in the future.

When asked about liquidity of the high yield market, Brigade acknowledges that they've witnessed a reduction in liquidity from time to time, but it emphasizes the firm is adequately staffed with eight traders in the team. Given Brigade's trading-oriented approach, Brigade sometimes offer two-way quotes that help improve liquidity of their security holdings.

In terms of hedging, the Fund had no hedging position during the first quarter of 2014. The Fund started to hedge against interest rate risk as it adds positions in some longer maturity municipal bonds. Brigade also bought put options on high yield bonds in June when overall yield went below 5%. Those options were not profitable because of very low strike prices, but the overall cost of the hedge is also low (14 basis points cost for the entire portfolio).

Brigade is trying to grow its presence in Europe in order to source attractive European investment opportunities that meet its process and criteria. As a result, the opportunistic credit fund is heavily invested in the U.S. market. The European team is hoping that additional hires will help the team leverage existing relationships in the European market. Over time, Brigade is hoping to increase the Fund's European exposure from current 7% to 15% as more opportunities open up.

Gregory went through a number of holdings in the Fund, including TXU and Puerto Rico GO bond. He also discussed some challenging investment names in the Fund, including MModal. In hindsight, Brigade acknowledges that they made some mistakes when analyzing MModal's competitor landscape. Brigade currently owns 90% equity of MModal and is trying to hire a new CEO for the firm.

Performance & Positioning

SamCERA account generated 5.73% net returns for the first half of 2014, outperforming its 50% ML HY index/50% CS Leveraged Loan index by 133 basis points. Current portfolio has 43.6% allocation in high yield bonds with a focus on event-driven opportunities, while 27.9% of the portfolio is in bank loans and 6.5% in distressed. The portfolio continues to hold smaller allocations in non-traditional credit sectors, including preferreds, CLOs (mostly mezzanine tranches), CMBS/ABS/EETC, stressed municipals, and convertibles (mostly busted converts).

As of June 30, 2014, a number of positions contributed positively to the account's 12-month performances, including Cheniere Energy, Albertsons, Sprint, JC Penney, etc. Single credit performance detractors are modest, as only two positions have detracted from performance by over 10 basis points (MModal and Walter Energy). Additionally, the account's credit index hedge detracted 40 basis points over the past 12 months.

All in, the SamCERA's account has around 40% in floating rate securities, and generates a current yield above 6%, which compares favorably against the yield of ML high yield index. Brigade believes that the strategy's limited duration, combined with its ability to invest in non-traditional fixed income securities, will enable it to post attractive future performances.

As of June 30, 2014, SamCERA's investment in Brigade Opportunistic Credit Fund is valued at $66,171,960.

Date of meeting: 9/11/2014

Location: SamCERA Office

Manager Representative(s)

Beau Coash (Portfolio Manager)
Sue Curran (Relationship Manager)
Mark Botelho (Investment Director)

SIS Representative(s)

Ping Zhu

Client Representative(s)

Mike Coultrip, Scott Hood, and Lilibeth Dames

Product Description

Pyramis' Broad Market Duration (BMD) investment strategy seeks to achieve absolute and risk-adjusted returns in excess of the BC U.S. Aggregate Index, focusing its investments in U.S. Treasuries, agencies, investment grade corporate bonds, mortgage-backed, and asset-backed securities. The BMD commingled pool can also hold small, opportunistic positions in out-of-benchmark securities, such as inflation-linked bonds. The investable universe includes all U.S. dollar denominated, investment grade debt securities. The BMD investment approach emphasizes issuer and sector valuation and individual security selection. Through the integration of fundamental and quantitative research and trading, the BMD strategy is implemented in a team environment. Risk management technology is utilized to explicitly quantify benchmark exposures on a daily basis, and Pyramis uses the same analytical framework to assess both index and portfolio risk. Tracking error should range between 40 and 60 basis points per annum over the benchmark, and stringent portfolio construction risk control rules are strictly adhered to.

Meeting Notes

Organization

There is no major change in the organization. Pyramis Global Advisors remains wholly owned by Fidelity. As of June 30, 2014, the firm's total AUM is $214.8 billion, of which $47.7 billion are in fixed income products.

Investment Team

There has been no recent turnover to the Board Market Duration portfolio management team. Ford O'Neil, Jeff Moore, Michael Plage, and Pramod Atluri are the portfolio managers responsible for the execution and performance of the strategy. They are supported by Pyramis' large investment grade fixed income division.

Effective March 2014, Nancy Prior, former president of Money Markets and Short Duration Bonds, was named president of Fixed Income at Pyramis. Nancy succeeds Charlie Morrison, who replaced Ronald O'Hanley as the president of Asset Management in February 2014.

In December 2013, former CIO, Young Chin, retired after seven years at Pyramis. His replacement, Pam Holding, former head of Portfolio Management, assumed the role of Chief Investment Officer after Young's retirement.

Investment Strategy

Pyramis' Broad Market Duration uses bottom-up issuer and sector selections as its primary sources of alpha. Because Pyramis recognizes that macroeconomic forces have often overwhelmed underlying fundamentals for extended period of time, the BMD team incorporates inputs from both global macro and quantitative analyst teams to guide every decision. Risk management is also a priority and serves as the framework in managing this strategy.

Beau discussed Pyramis' market outlook. The manager considers itself in the "lower growth for longer period" camp. While it doesn't like the rich valuations across a number of sectors in the fixed income market, Pyramis considers those valuations to be fair, given the current low default environment and the fact corporations have already extended the maturity of their debt. As such, Pyramis doesn't see any immediate catalyst that will cause the spread to widen materially, and it categorizes current fixed income market as a "coupon clipping" market with tight (but fair) spread. They feel that U.S. is still in the middle of the economic cycle instead of in the late cycle, as evidenced by increasing corporate earnings and improving credit qualities. Beau also pointed out that bond sector returns have converged and dispersions are small in 2014. According to the manager's sector spread and yield percentile rankings, many sectors are currently trading at historically tight yields. Pyramis BMD is positioned to have broad diversification across sectors.

Beau also commented that TBA rolls have become less profitable in the agency MBS market after Fed tapers its purchase program. He expects the strategy to continue its underweight in agency MBS until option-adjusted spreads widen meaningfully. Beau believes that broadly syndicated leveraged loans have rich valuation because of strong CLO bids.

Performance & Positioning

As of June 30, 2014, SamCERA BMD account's trailing 12-month gross return outperformed the Barclays U.S. Aggregate benchmark by 1.24%. The account maintains its underweight position in U.S. Treasuries, and has concentrated their Treasury holdings at the belly of the curve (such as the five years and the seven years). On the structured side, the BMD portfolio has underweight position in agency MBS due to concerns about tight spreads and extension risks, but overweight position in CMBS. On the credit side, the portfolio has underweight in AAA and AA securities, and overweight in BBB due to better valuation.

Pyramis has overweight in the financial subsector, where it prefers regional banks to money center banks. The portfolio also maintains its overweight allocation in REITS. By contrast, the portfolio has an underweight position to industrial corporate names due to tight spreads and concerns about shareholder friendly activities. Overall duration for the portfolio is slightly over five years, which is in line with the benchmark duration.

As of June 30, 2013, Pyramis BMD out-yields its benchmark by 54 basis points on a yield-to-worst basis. SamCERA's Pyramis BMD account balance is $169,062,585.

Date of meeting: 8/25/2014

Location: SamCERA Office

Manager Representative(s)

Julien Scholnick (Portfolio Manager)
Barbara Ziegler (Client Service)

SIS Representative(s)

Ping Zhu

Client Representative(s)

Mike Coultrip, Paul Hackleman, and Scott Hood

Product Description

Western Asset Management's investment philosophy has three key components. First, as sector rotators, the firm seeks out long term value by fundamentally analyzing all sectors of the fixed income market. Second, Western Asset employs multiple strategies, proportioned so that no single adverse market event would have an overwhelming negative impact on performance. The third component of the investment philosophy is opportunistic trading. Western Asset adds value with opportunistic trades that attempt to exploit market inefficiencies. Non-U.S. investment grade sovereigns, high yield and emerging market debt securities are used opportunistically in this approach. Western Asset uses a team approach to portfolio management with duration, term structure, and sector allocation decisions developed by the Investment Strategy Group. The Research Group employs these determinations as they look for issues and issuers that are appropriate for the firm's eligible universe. Factors such as relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation are central to its inquiries. Throughout this process, the Portfolio Management Group provides both teams with a picture of key capital markets. The Portfolio Management Group is also responsible for portfolio structuring and implementation. The U.S. Core Full Discretion portfolio holds between 40–60 issues and can hold up to 20% in high yield and 20% in non-U.S. exposure. The portfolio's 10% maximum weight in emerging debt securities is counted towards the 20% maximum non-U.S. exposure.

Meeting Notes

Organization

On January 27, 2014, the SEC issued a press release and charged Western Asset of defrauding its clients. The U.S. Department of Labor also issued similar news release on the settlement. Western Asset agreed to settle and paid penalties to both SEC and the Labor Department. During the past year, Western Asset lost a total of 45 clients, while it gained 15 clients. However, total AUM has grown from $436.4 billion (as of June 30, 2013) to $468.9 billion (as of June 30, 2014).

Western Asset has made good progress in developing its proprietary risk management system, known as the Western Asset Information System for Estimating Risk (WISER). Currently, the technology infrastructure and baseline model development is already implemented in WISER. By the end of 2014, WISER is expected to become the firm's primary risk measurement system covering all portfolios with an automated process that includes exception handling and flexible reporting.

Investment Team

In March 2014, Steve Walsh, former CIO and Chairman of the Broad Market Committee, retired from Western Asset. Ken Leech is now the only CIO of the firm and he chairs both the Global Investment Strategy Committee and the Broad Market Committee, which enables more efficient communications among different groups to share investment ideas across different types of portfolios.

In March 2014, Western Asset announced the promotion of Mr. Chia-Liang Lian to Co-Head of the Emerging Markets Debt (EMD) Team. This appointment created a two-year succession plan for the EMD investment effort. Mr. Lian serves as Co-Head alongside Mr. Keith Gardner, who intends to retire in April 2016.

Investment Strategy

At the beginning of 2014, Western Asset held an out-of-consensus view about interest rate movement. Therefore, the portfolio was positioned to have a longer duration than its benchmark. This duration positioning contributed to the account's outperformance during the first half of 2014. Now that the interest rate has moved lower, Western Asset has pared back its duration to 5.38 years (as of June 30, 2014), which is shorter than the benchmark. The portfolio is currently positioned to benefit from curve flattening and has underweight duration in the shorter end of the curve. Spread duration continues to be longer than the benchmark (4.64 years compared with 3.79 years for the benchmark).

In terms of market liquidity for certain securities, Julien noted that CLO and CMBS have decent liquidity in the primary market, although secondary market still has poor liquidity. Julien also commented on the high yield market liquidity during its recent market sell-off in July. While Western Asset recognized the sell-off was more technical driven and represented a good buying opportunity, the firm found it difficult to buy enough undervalued high yield bonds. Therefore, Western Asset used CDX during the interim, and gradually purchased high yield papers to replace those CDX positions.

Julien also discussed Western Asset's market outlook. The firm believes that U.S. recovery is ongoing, although they remain concerned about the situation in Europe, and they are monitoring whether LTRO can incentivize European banks to lend to the real economy. Western Asset expects Japanese central bank to do more in order to meet their target (Western Asset is currently shorting the Japanese Yen). It believes China will not have hard landing and Chinese government can engineer a slowdown. On the emerging market side, the team favors countries such as Brazil and Mexico. The core full discretion account has small overweight positions in these emerging countries.

Performance & Positioning

Recent performance has been strong. As of June 30, 2014, SamCERA account's trailing 12-month return exceeds its benchmark by 2.52%. Western Asset generated its strong performance through diversified alpha sources. In addition to its duration and yield curve positioning that contributed to excess returns, Western Asset also generated sizeable outperformances in a variety of sectors including agency MBS, non-agency MBS, investment-grade credit, high yield, emerging market debt, ABS, etc.

On the corporate side, the account has an overweight position in finance sector, but close-to-benchmark weight in the utility sector and industrial sector. The account continues to maintain significant underweight in Treasuries, and has allocated capital to non-benchmark sectors including high yield, non-agency mortgage, and emerging market debt.

As of June 30, 2014, Western Asset Core Full Discretion account out-yields its benchmark by around 86 basis points. SamCERA's account balance is $124,705,517.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 30, 2014 Agenda Item 7.1

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Authorization to Execute an Amendment to Agreement with Vitech Systems Group, Inc. to add Vitech V3 Imaging Solution to the PASS Project.

Staff Recommendation
Adopt a resolution authorizing the Chief Executive Officer to execute an amendment to the agreement with Vitech Systems Group, Inc. to add the Vitech V3 Imaging Solution to the PASS Project increasing the not to exceed amount by $234,688 for a total of $9,334,688 for all services through December 31, 2021.

Background
At the outset of the PASS project, SamCERA planned to use the County of San Mateo's imaging solution, Autonomy. The County is now migrating to a different product, Sharepoint. The change by the County from one product to another has prompted staff and consultant LRW to consider whether the PASS project should integrate with Sharepoint or with Vitech's V3 imaging solution.

Sharepoint is a well-respected product and could serve SamCERA's needs well. It would be available to SamCERA, at least initially, at no cost to SamCERA from the County.

On the other hand, Vitech has never integrated its PASS product with the Sharepoint imaging product. This poses some unknowns, which must be considered project risks, both during the integration and maintenance periods. Vitech's lack of familiarity with the product as well as the need to work with a separate company dedicated to the needs of the County rather than SamCERA would likely make integration more of a challenge. Long term maintenance carries the risk that the Sharepoint product and/or V3 will evolve in ways that make continued integration a challenge. With use of the V3 imaging product, integration will continue to be reliable.

These risks are especially significant when the integration and maintenance of Sharepoint are considered in relation to the Vitech V3 Imaging product. Of course, Vitech is highly experienced with its own product. Integrating the Vitech imaging product with the Vitech/SamCERA PASS solution represents the lowest risk approach. It would also be the fastest approach.

LRW has reviewed the V3 product and opined that it is well-suited to SamCERA's imaging and integration needs.

SamCERA and LRW negotiated the cost to add the V3 imaging product to the Vitech contract. We jointly believe that the price is reasonable and in fact lower than the price paid by other retirement systems for the product.

The price breakdown for adding the Vitech V3 Imaging product is follows:
License: $50,000.00
Implementation Fee: $109,688
Annual Maintenance $15,000.00

The total cost for the implementation and annual maintenance through 2021 comes to $234,688. Staff and LRW believe that the reduction in risk that will come from using the Vitech product is well worth the cost.

RESOLUTION 14-15-__

RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN AMENDMENT TO AGREEMENT WITH VITECH SYSTEMS GROUP, INC. TO ADD VITECH V3 IMAGING SOLUTION TO THE PASS PROJECT

WHEREAS, SamCERA, in accordance with California Government Code Section 31588.2, is authorized to expend funds on the administration of the pension system in order to provide timely and accurate benefits to its members; and

WHEREAS, SamCERA staff, with consulting assistance from LRWL Inc., developed and issued a Request for Proposals for the Pension Administration Software System (“PASS”) hardware, software, and implementation and support services and five proposals were received; and

WHEREAS, on January 28, 2014, this Board determined that it is in the best interest of SamCERA for the Chief Executive Officer to execute an agreement not to exceed $9,100,000 with Vitech Systems Group, Inc. for the provision of the PASS hardware, software, and implementation and support services; and

WHEREAS, SamCERA intended to utilize the County of San Mateo’s current imaging solution for the documents to be integrated into the PASS system but it has come to staff's attention that the County is migrating to another imaging system; and

WHEREAS, in consultation with LWLR Inc. and other county retirement systems that are using or will be using Vitech’s PASS system, staff recommends that it would be in SamCERA’s best interests to use Vitech’s imaging solution in order to minimize short term and long term risks associated with the Vitech PASS project; therefore, be it

RESOLVED, the Chief Executive Officer is authorized to execute an amendment to the agreement with Vitech Systems Group, Inc. to add the Vitech V3 Imaging Solution at an amount not to exceed $234,688 for a total agreement amount not to exceed $9,334,688 for all services through December 31, 2021.

RESOLVED, that this increase does not affect the prior authorization given to the Chief Executive Officer to execute subsequent amendments and minor modifications in an amount not to exceed $100,000 in the aggregate as the Chief Executive Officer deems necessary.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 30, 2014 Agenda Item 7.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2014 Business Meeting

Staff Recommendation

Designate **Lauryn Agnew,** Chair, as the Voting Delegate, **David Spinello,** as the First Delegate Alternate, and **David Bailey**, CEO, as the Second Delegate Alternate to cast SamCERA's votes at the SACRS Fall 2014 Conference.

Summary

Prior to each SACRS conference the retirement boards are asked to select the individuals from each county system who are authorized to serve as voting delegates and alternate voting delegates at the conference business meeting.

Background

SamCERA normally selects the highest-ranking board officer who will attend the conference as the voting delegate. Delegates can be either trustees or staff. For this SACRS conference, Board Chair Lauryn Agnew will be the highest-ranking board officer in attendance.

The business meeting will occur on the last morning of the conference, at 10:00 a.m., Friday, November 14, 2014.