

Sacramento County Employees' Retirement System

*Actuarial Valuation and Review  
as of June 30, 2004*

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*January 14, 2005*

*Board of Retirement  
Sacramento County Employees' Retirement System  
980 9<sup>th</sup> Street, Suite 1800  
Sacramento, CA 95814*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of June 30, 2004. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2005-2006 and analyzes the preceding year's experience.*

*The census information on which our calculations were based was prepared by the SCERS and the financial information was provided by the Retirement Office. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, MAAA, Enrolled Actuary.*

*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board of Retirement are reasonably related to the experience of and the expectations for the Plan.*

*We look forward to reviewing this report at your next meeting and to answering any questions.*

*Sincerely,*

*THE SEGAL COMPANY*

By: \_\_\_\_\_  
*Paul Angelo, FSA, MAAA  
Vice President and Actuary*

\_\_\_\_\_  
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Actuary*

\_\_\_\_\_  
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Associate Actuary*

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## SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

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### Purpose

This report has been prepared by The Segal Company to present a valuation of the Sacramento County Employees' Retirement System as of June 30, 2004. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement System, as administered by the Board of Retirement.
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2004, provided by the Retirement Office;
- The assets of the Plan as of June 30, 2004, provided by the Retirement Office;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Sacramento County Employees' Retirement System's basic financial goal is to establish contributions which fully fund the System's liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the System's assets, liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the System's staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior year's information.

The contribution requirements are determined as a percentage of payroll. The System's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. In this valuation, we have continued with the Board's funding policy to amortize the System's entire unfunded actuarial accrued liability as of June 30, 2004 over a declining 29-year period.

## SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

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### Significant Issues in Valuation Year

#### June 30, 2004 Experience Study

With one exception, the actuarial assumptions used in this valuation are the same as those we outlined in our two reports on review of economic and noneconomic actuarial assumptions dated November 11, 2004. The exception is that, among members who terminate employment in the future, 25% will choose a refund of contributions and 75% will choose deferred vested benefits

During our December 2004 meeting with the Board, we provided the Board with the percentages of members who withdrew their contributions or chose a deferred vested benefit when the members terminated during 2002/2003. Those percentages were 50% for Miscellaneous and 60% for Safety. We expressed to the Board our expectation that the proportion of members who will choose a deferred vested benefits will increase as they become more aware of the value of a guaranteed lifetime benefit (especially with the recently adopted benefit improvement). However, we believe it is prudent to assume that only 75% of the terminated members will choose the deferred vested benefits until more data can be collected to review this assumption again at the next experience study.

#### Phase-in of Employer Rate Increase Due to June 30, 2004 Experience Study

There is a significant (5.69% of payroll) increase in the employer's contribution rate as a result of the assumptions we recommended in the June 30, 2004 experience study.

During our December 2004 meeting with the Board, the Board instructed us to isolate the impact on the employer contribution rate increase of the June 30, 2004 experience study and phase-in the associated contribution rate increase over a 2 year period (that is, 2.85% of payroll per year) starting with fiscal year 2005-2006.

The employer should be aware that their contributions for fiscal year 2006-2007 will increase again by 2.85% of payroll and that there will be an interest cost reflecting the difference between the total cost of the assumption increase (5.69%) and the actual phase-in (2.85%) contributions paid for fiscal year 2005-2006.

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2005 through June 30, 2006.

## SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

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### Net Pension Obligation Reportable Under GASB Statements No. 25 and 27

GASB Statements 25 and 27 set the minimum Annual Required Contribution (ARC) for disclosure purposes for the System's and the employer's annual financial statements.

Under the two statements, if the period in which a single employer's contributions will amortize the unfunded actuarial accrued liability (UAAL) is over 40 years, the difference between the actual UAAL contributions and the contributions over the minimum 40-year period has to be accrued as a Net Pension Obligation (NPO) on the employer's financial statement for fiscal year 2005-2006.

We understand that even though there are other special district employers beside the county, the County's auditor has determined that the NPO disclosure requirement will apply to the System as a whole. Since the UAAL contributions after the phase-in are less than those calculated under the minimum GASB requirement, an NPO will have to be established.

### Key Findings

The following key findings were the result of this actuarial valuation:

- The ratio of the valuation value of assets to actuarial accrued liabilities after reflecting the receivables from Pension Obligation Bonds (POB) decreased from 104.3% to 93.3%. The System's unfunded (overfunded) actuarial accrued liability has changed from -\$176.1 million as of June 30, 2003 to \$314.5 million as of June 30, 2004. The increase is mainly due to a combination of actual investment return (after "smoothing") less than the 8% assumed in the current valuation, higher than expected salary increases and changes in economic and non-economic assumptions in the June 30, 2004 experience study. A reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit H.
- After reflecting the receivables from Pension Obligation Boards, the aggregate employer rate increased from 13.93% of payroll to 20.56% of payroll before the 2-year phase-in. After the 2-year phase-in, the employer rate is 17.71% of payroll. The reasons for the changes are: (i) lower than expected return on investment, (ii) higher than expected salary increases, (iii) other actuarial losses, (iv) change in membership demographics, and (v) change in actuarial assumptions. A reconciliation of the System's aggregate employer rate is provided in Section 2, Subsection D (see Chart 14).
- The aggregate member rate calculated in this valuation has increased from 4.24% of payroll to 4.95% of payroll. The change in member rate is primarily due to the change in actuarial assumptions and change in membership demographics. A reconciliation of the System's aggregate member rate is provided in Section 2, Subsection D (see Chart 15).

## SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

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- The results of this valuation reflect changes in economic and non-economic assumptions adopted by the Board as a result of the June 30, 2004 triennial experience study. The impact of the assumption changes is provided in Section 2, Subsection D (see Charts 14 and 15). The specific assumption changes can be found in Section 4, Exhibit IV.
- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment loss as of June 30, 2004 is \$197.0 million. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will offset any investment gains that may be achieved after June 30, 2004. This implies that if the System earns the assumed rate of investment return of 7.75% per year (net of expenses) on a **market value** basis, it will result in investment losses on the actuarial value of assets in the next few years. So, if the actual market return is equal to the assumed 7.75% rate and all other actuarial assumptions are met, the contribution requirements would still increase in each of the next few years.

### Impact of Future Experience on Contribution Rates

Future contribution requirements may differ from those determined in the valuation because of:

- difference between actual experience and anticipated experience;
- changes in actuarial assumptions or methods;
- changes in statutory provisions; and
- difference between the contribution rates determined by the valuation and those adopted by the Board.

**SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System**

**Summary of Key Valuation Results**

	June 30, 2004		June 30, 2003	
<b>Employer Contribution Rates (Dollar amounts in thousands):</b>				
	Total Rate	Estimated Annual Amount*	Total Rate	Estimated Annual Amount*
Miscellaneous Tier 1	15.42%	\$ 9,697	13.62%	\$ 8,565
Miscellaneous Tier 2	11.49%	2,477	9.16%	1,976
Miscellaneous Tier 3	14.18%	67,847	11.55%	55,288
Safety Tier 1	33.28%	23,737	24.46%	17,441
Safety Tier 2	28.57%	22,780	20.24%	16,138
All Categories Combined	17.71%	126,538	13.93%	99,408
<b>Member Contribution Rates:</b>				
	Total Rate**	Per Member Annual Amount***	Total Rate**	Per Member Annual Amount***
Miscellaneous Tier 1	5.51%	\$3,416	4.97%	\$3,079
Miscellaneous Tier 2	3.63%	1,977	3.46%	1,885
Miscellaneous Tier 3	4.79%	2,223	4.23%	1,963
Safety Tier 1	12.46%	9,559	10.24%	7,855
Safety Tier 2	10.75%	6,082	9.31%	5,270
<b>Funded Status (Dollar Amounts in thousands)****:</b>				
Actuarial accrued liability	\$4,694,009		\$4,108,294	
Actuarial value of assets	4,379,514		4,284,400	
Funded percentage	93.3%		104.3%	
Unfunded Actuarial Accrued Liability	\$ 314,495		-\$176,106	
<b>Key Assumptions:</b>				
Interest rate	7.75%		8.00%	
Inflation rate	4.00%		3.00%	
Real across-the-board salary increase	0.25%		1.25%	

\* Based on June 30, 2004 projected annual compensation.  
 \*\* Based on single full-rates payable by members who enter on or after January 1, 1975.  
 \*\*\* Based on average salary for members in respective tier.  
 \*\*\*\* June 30, 2003 assets have been revised to include \$420,000,000 in receivable contributions from Pension Obligation Bonds issued on July 1, 2004. June 30, 2004 assets have been adjusted to include \$420,874,000 in receivable contributions from Pension Obligation Bonds issued on July 1, 2004 and October 20, 2004.



## SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

### Summary of Key Valuation Demographic and Financial Data

	June 30, 2004	June 30, 2003	Percentage Change
<b>Active Members:</b>			
Number of members	13,672	14,133	-3.3%
Average age	44.0	43.9	N/A
Average service	9.7	9.6	N/A
Projected total compensation	\$714,069,415	\$733,296,000***	-2.6%
Average projected compensation	\$52,229	\$51,885	0.7%
<b>Retired Member and Beneficiaries:</b>			
Number of members:			
Service retired	4,584	4,220	8.6%
Disability retired	675	679	-0.6%
Beneficiaries	1,032	983	5.0%
Total	6,291	5,882	7.0%
Average age	68.1	68.7	N/A
Average monthly benefit	\$2,008	\$1,641	22.4%
<b>Vested Terminated Members:</b>			
Number of terminated vested members*	2,110	1,885	11.9%
Average age	46.5	45.8	N/A
<b>Summary of Financial Data (dollar amounts in thousands):</b>			
Market value of assets**	\$4,182,539	\$3,658,826	14.3%
Return on market value of assets	15.75%	2.17%	N/A
Actuarial value of assets**	\$4,379,514	\$4,284,400	2.2%
Return on actuarial value of assets	2.30%	1.43%	N/A
Valuation value of assets**	\$4,288,455	\$4,048,760	5.9%
Return on valuation value of assets	5.24%	8.40%	N/A

\* Includes terminated members due a refund of member contributions.

\*\* June 30, 2003 assets have been revised to include \$420,000,000 in receivable contributions from Pension Obligation Bonds issued on July 1, 2004. June 30, 2004 assets have been adjusted to include \$420,874,000 in receivable contributions from Pension Obligation Bonds issued on July 1, 2004 and October 20, 2004.

\*\*\* Total active payroll as of June 30, 2003 was \$733,296,000. However, for purposes of developing the rates for fiscal year 2004-2005, the active payroll was reduced to \$724,582,000 to take into account the reduction in expected payroll at the County.

**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

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**A. MEMBER DATA**

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

*A historical perspective of how the member population has changed over the past three valuations can be seen in this chart.*

**CHART 1**  
**Member Population: 2002 – 2004**

<b>Year Ended June 30</b>	<b>Active Members</b>	<b>Vested Terminated Members*</b>	<b>Retired Members and Beneficiaries</b>	<b>Ratio of Non-Actives to Actives</b>
2002	14,033	1,994	5,742	0.55
2003	14,133	1,885	5,882	0.55
2004	13,672	2,110	6,291	0.61

*\*Includes terminated members due a refund of member contributions*

**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

**Active Members**

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 13,672 active members with an average age of 44.0, average years of service of 9.7 years and average compensation of \$52,229. The 14,133 active members in the prior valuation had an average age of 43.9, average service of 9.6 years and average compensation of \$51,885.

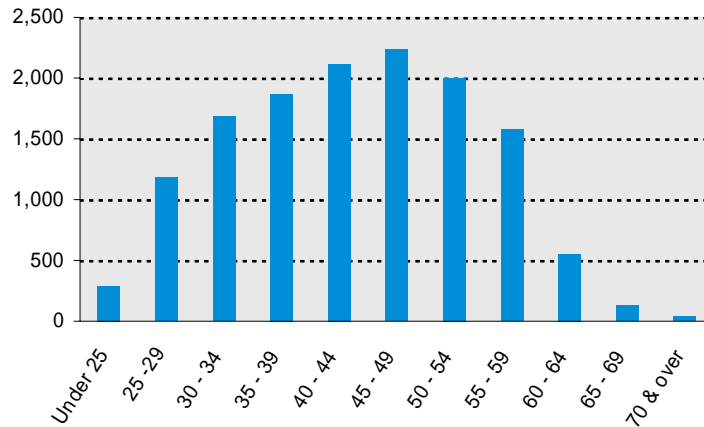
Among the active members, there were none with unknown age.

**Inactive Members**

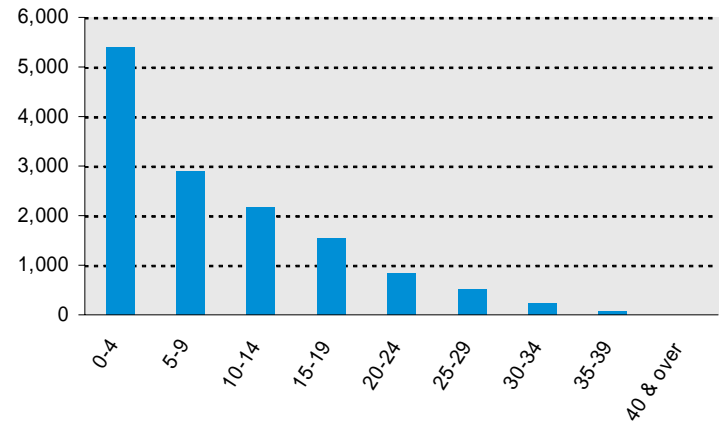
In this year's valuation, there were 2,110 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 1,885 in the prior valuation

*These graphs show a distribution of active members by age and by years of service.*

**CHART 2**  
**Distribution of Active Members by Age as of June 30, 2004**



**CHART 3**  
**Distribution of Active Members by Years of Service as of June 30, 2004**



**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

**Retired Members and Beneficiaries**

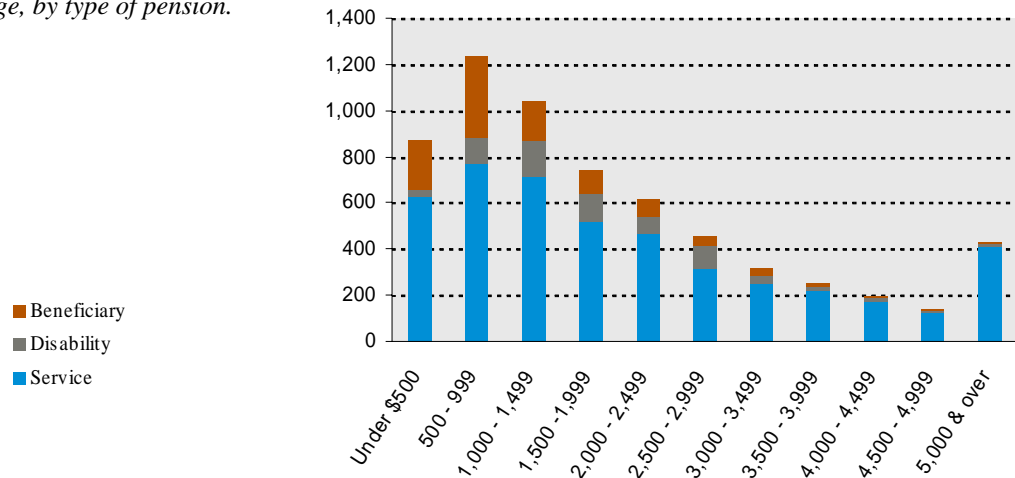
As of June 30, 2004, 5,259 retired members and 1,032 beneficiaries were receiving total monthly benefits of \$12,632,244. For comparison, in the previous valuation, there were 4,899 retired members and 983 beneficiaries receiving monthly benefits of \$9,652,362.

There have been increases in benefits payable to retirees and beneficiaries due to: (1) Ventura Settlement, (2) Ad Hoc COLA granted by the employers, and (3) a significant number of new retirements during 2003-2004 after the benefit enhancement.

*These graphs show a distribution of the current retired members and beneficiaries based on their monthly amount and age, by type of pension.*

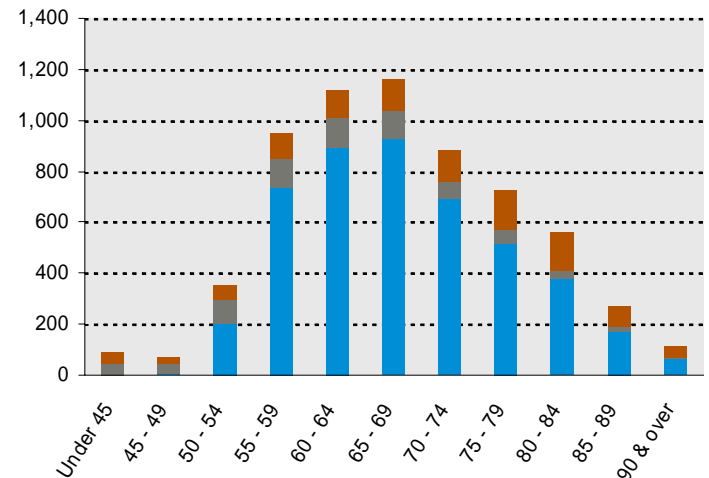
**CHART 4**

**Distribution of Retired Members and Beneficiaries by Type and by Monthly Amount as of June 30, 2004**



**CHART 5**

**Distribution of Retired Members and Beneficiaries by Type and by Age as of June 30, 2004**



**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

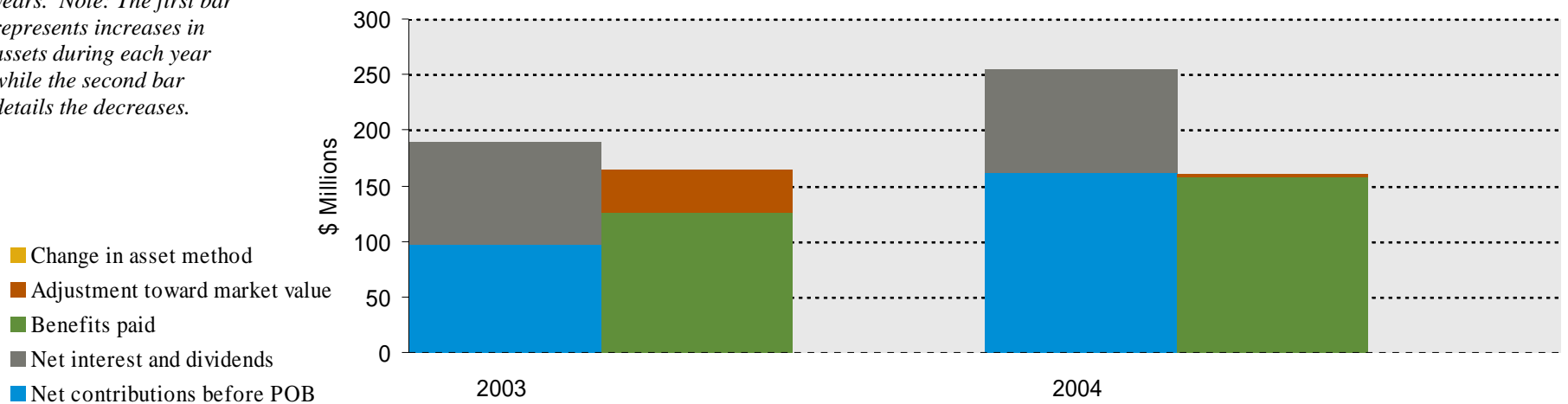
**B. FINANCIAL INFORMATION**

Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. The adjustment toward market value shown in the chart is the “non-cash” earnings on investments implicitly included in the actuarial value of assets. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D and E.

*The chart depicts the components of changes in the actuarial value of assets over the last two years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.*

**CHART 6**  
**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2003 and 2004**



## SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

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It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Retirement has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has an immediate effect on the actuarial value of assets.

The determination of the Actuarial Value of Assets is provided on the following page.

**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

**CHART 7 - Determination of Actuarial Value of Assets for Year Ended June 30, 2004**

From	To	Contributions	Benefits	Market Value	Average Market Value
7/1999	6/2000	\$72,041,588	\$99,723,387	\$3,679,912,856	\$3,401,769,825
7/2000	6/2001	73,322,363	108,998,139	3,432,825,810	3,681,477,927
7/2001	6/2002	82,978,888	116,980,868	3,199,234,414	3,437,241,772
7/2002	6/2003	96,540,617	126,021,157	3,238,826,044	3,209,898,370
7/2003	6/2004	162,007,721	157,755,337	3,761,664,994	3,291,717,325

From	To	Actual Market Return (net)	Expected Market Return (net)	Investment Gain (Loss)	Deferred Factor	Deferred Return
7/1999	6/2000	\$312,187,721	\$272,141,586	\$ 40,046,135	-	\$ 0
7/2000	6/2001	(211,411,270)	294,518,234	(505,929,504)	0.2	(101,185,901)
7/2001	6/2002	(199,589,416)	274,979,342	(474,568,758)	0.5*	(187,356,944)
7/2002	6/2003	69,072,170	256,791,870	(187,719,700)	0.6	(112,631,820)
7/2003	6/2004	518,586,566	263,337,386	255,249,180	0.8	204,199,344
1.	Total Deferred Return					(196,975,321)
2.	Net Market Value					3,761,664,994
3.	Actuarial Value of Assets					3,958,640,315
4.	Actuarial Value of Assets – Corridor Limits:					
	a. Lower Limit – 80% of Net Market Value					3,009,331,995
	b. Upper Limit – 120% of Net Market Value					4,513,997,993
5.	Actuarial Value of Assets (within corridor)					3,958,640,315
6.	Non-valuation reserves and designations:					
	a. Reserve for Interest Fluctuations (1% Contingency Reserve)					45,285,892
	b. Retirees Health and Death Benefit Reserves					14,366,546
	c. Other Non-Valuation Reserves					0
	d. Subtotal					59,652,438
7.	Preliminary Valuation Value of Assets (Item 5 – Item 6)					3,898,987,877
8.	Adjustment to Preliminary Valuation Value of Assets					
	a. Balance of transfer to offset member COLA rate					44,450,486
	b. Surplus/(deficit) for withdrawn employers (preliminary)**					(13,043,046)
	c. Subtotal					31,407,440
9.	Final Valuation Value of Assets (Item 7 – Item 8)					3,867,580,437

The chart shows the determination of the actuarial value of assets as of the valuation date.

\*The remaining investment gain/loss for 2001/2002 plan year at June 30, 2004, after taking into account the 120% corridor on June 30, 2002 is \$374,713,887 and is amortized over 4 years in equal payments.

\*\*Based on the latest estimate available as of June 30, 2003. This estimate has not been reduced by contributions paid by Sac. Metro Fire on October 20, 2004 for former members of Florin Fire.

Note: Market, actuarial and valuation value of assets provided in the above schedule have not been adjusted to include receivable contributions from Pension Obligation Bonds.

## SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

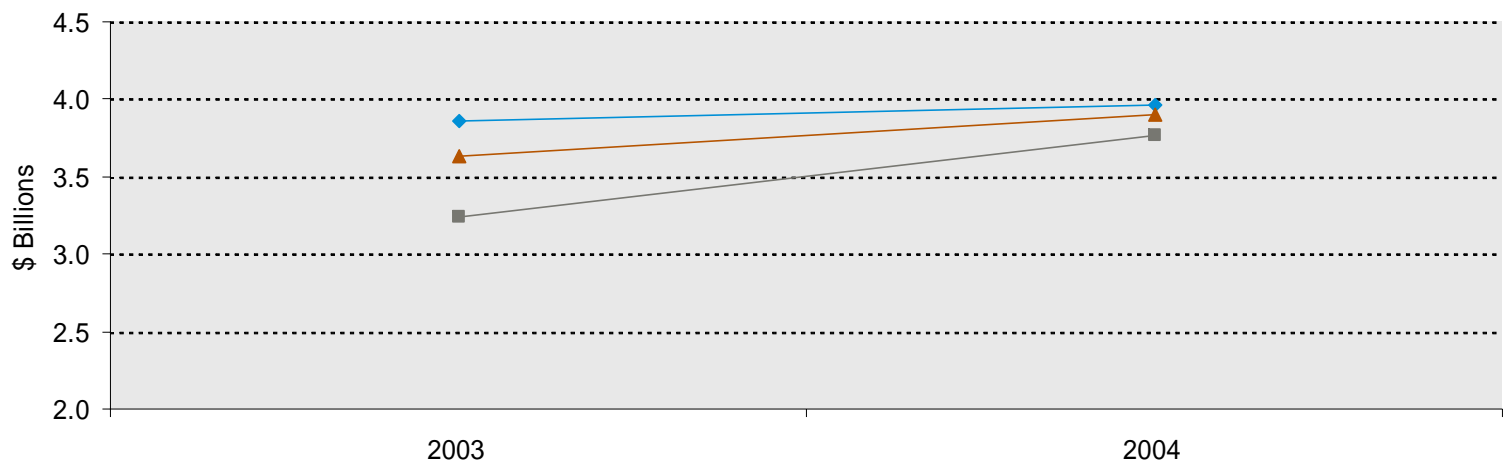
The market value, actuarial value, and valuation value of assets are representations of SCERS's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets, but with less volatility. The valuation value of assets is the actuarial value, excluding any non-valuation reserves. The valuation asset value is significant because SCERS's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

*This chart shows the change in market value, actuarial value and valuation value over the past two years. Market, actuarial and valuation value of assets have not been adjusted to include receivable contributions from Pension Obligation Bonds.*

◆ Actuarial Value  
■ Market Value  
▲ Valuation Value

**CHART 8**

**Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2003 – 2004**





**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

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**C. ACTUARIAL EXPERIENCE**

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience loss was \$181.5 million, \$101.9 million from investments and \$52.9 million from all other sources. The net experience variation from individual sources other than investments was 0.9% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience during the past year.*

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**CHART 9**  
**Actuarial Experience for Year Ended June 30, 2004**

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1. Net gain/(loss) from investments*	-\$101,897,000
2. Net gain/(loss) from other experience**	<u>-52,909,000</u>
3. Net experience gain/(loss): (1) + (2)	-\$154,806,000

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\* Details in Chart 10.

\*\* See Section 3, Exhibit H.

**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

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**Investment Rate of Return**

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the SCERS's investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets was 8.00% (based on June 30, 2003 valuation). The actual rate of return on a valuation basis for the 2003 plan year was 5.24%.

Since the actual return for the year was less than the assumed return, the SCERS experienced an actuarial loss during the year ended June 30, 2004 with regard to its investments.

*This chart shows the gain/(loss) due to investment experience.*

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**CHART 10**

**Investment Experience for Year Ended June 30, 2004 – Valuation Value and Actuarial Value of Assets**

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	<b>Valuation Value</b>	<b>Actuarial Value</b>
1. Actual return	\$ 193,128,000	\$ 89,988,000
2. Average value of assets	3,685,649,000	3,912,522,000
3. Actual rate of return: (1) ÷ (2)	5.24%	2.30%
4. Assumed rate of return	8.00%	8.00%
5. Expected return:	295,025,000	313,383,000
6. Actuarial gain/(loss): (1) – (5)	<u>-\$101,897,000</u>	<u>-\$223,395,000</u>

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**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial, valuation, and market basis for the last year.

For the June 30, 2004 valuation, the Board has acted to reduce the interest rate assumption from 8% to 7.75%.

**CHART 11**

**Investment Return – Actuarial Value, Valuation Value and Market Value: 2004**

Year Ended June 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Valuation Value Investment Return		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2004	\$93,113,000	2.38%	-\$3,125,000	-0.08%	\$193,128,000	5.24%	\$89,988,000	2.30%	\$518,587,000	15.75%

*Note: Each year's yield is weighted by the average asset value in that year.*

## SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

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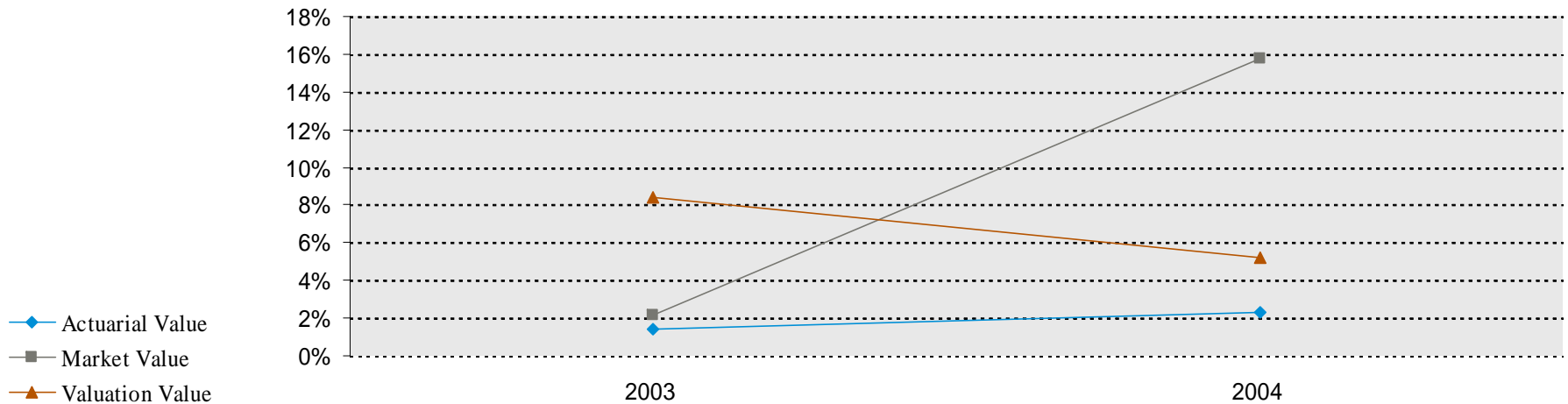
Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

*This chart illustrates how this leveling effect has actually worked over the years 2003 - 2004.*

**CHART 12**

**Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2003 – 2004**

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## SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

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### Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation.

These include:

- actual turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended June 30, 2004 amounted to \$52.9 million which is 0.9% of the actuarial accrued liability. See Exhibit H for a detailed development of the Unfunded Actuarial Accrued Liability.

**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

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**D. EMPLOYER AND MEMBER CONTRIBUTIONS**

Employer contributions consist of two components:

*Normal Cost*

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.

*Contribution to the Unfunded*

*Actuarial Accrued Liability (UAAL)*

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative unfunded actuarial accrued liability) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual inflation rate of 4.25% (i.e., 4.00% inflation plus 0.25% real across-the-board salary increase). The current UAAL is being recognized over a declining 29-year period.

The recommended employer contributions are provided on Chart 13.

## SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

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### Member Contributions

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General members and Safety members, respectively. The basic contribution rate is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to  $1/240$  Final Average Salary for Miscellaneous members and  $1/100$  of Final Average Salary for Safety members. That age is 55 for all General and 50 for all Safety members. It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to their basic contributions, members pay one-half of the total normal cost necessary to fund their cost-of-living benefits. Accumulation includes semi-annual crediting of interest at the assumed investment earning rate. For members paying half rates, their rates should be exactly one-half of the rates described above.

The member contribution rates provided in Appendix A.

**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

**CHART 13**

**Recommended Employer Contribution Rates (Dollar Amounts in Thousands)**

<b>County Only</b>	<b>June 30, 2004</b>		<b>June 30, 2003</b>	
	<b>Actuarial Valuation</b>		<b>Actuarial Valuation</b>	
	<b>Rate</b>	<b>Estimated Annual Amount*</b>	<b>Rate</b>	<b>Estimated Annual Amount*</b>
<b>Miscellaneous – Tier 1 Members</b>				
Normal Cost	16.14%	\$9,894	14.58%	\$8,937
UAAL	-0.85%	-524	-1.09%	-668
Total Contribution	15.29%	\$9,370	13.49%	\$8,269
<b>Miscellaneous – Tier 2 Members</b>				
Normal Cost	12.47%	\$2,690	10.25%	\$2,211
UAAL	-0.98%	-213	-1.09%	-235
Total Contribution	11.49%	\$2,477	9.16%	\$1,976
<b>Miscellaneous – Tier 3 Members</b>				
Normal Cost	15.18%	\$69,532	12.41%	\$56,844
UAAL	-1.24%	-5,701	-1.09%	-4,993
Total Contribution	13.94%	\$63,831	11.32%	\$51,851
<b>Safety Tier 1 Members</b>				
Normal Cost	32.16%	\$22,698	27.23%	\$19,218
UAAL	1.07%	757	-2.84%	-2,004
Total Contribution	33.23%	\$23,455	24.39%	\$17,214
<b>Safety Tier 2 Members</b>				
Normal Cost	26.68%	\$21,272	23.08%	\$18,402
UAAL	1.89%	1,508	-2.84%	-2,264
Total Contribution	28.57%	\$22,780	20.24%	\$16,138
<b>All Categories Combined</b>				
Normal Cost	18.24%	\$126,086	15.28%	\$105,612
UAAL	-0.60%	-4,173	-1.47%	-10,164
Total Contribution	17.64%	\$121,913	13.81%	\$95,448



**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

**CHART 13**

**Recommended Employer Contribution Rates (Dollar Amounts in Thousands)**

<b>District Only</b>	June 30, 2004 Actuarial Valuation		June 30, 2003 Actuarial Valuation	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
<b>Miscellaneous – Tier 1 Members</b>				
Normal Cost	16.01%	\$251	14.45%	\$227
UAAL	4.86%	76	4.39%	69
Total Contribution	20.87%	\$327	18.84%	\$296
<b>Miscellaneous – Tier 3 Members</b>				
Normal Cost	15.05%	\$3,090	12.31%	\$2,528
UAAL	4.51%	926	4.42%	909
Total Contribution	19.56%	\$4,016	16.73%	\$3,437
<b>Safety Tier 1 Members</b>				
Normal Cost	25.27%	\$187	23.37%	\$173
UAAL	12.92%	95	7.38%	54
Total Contribution	38.19%	\$282	30.75%	\$227
<b>All Categories Combined</b>				
Normal Cost	15.44%	\$3,528	12.82%	\$2,928
UAAL	4.80%	1,097	4.52%	1,032
Total Contribution	20.24%	\$4,625	17.34%	\$3,960
<b>County and District Categories Combined</b>				
Normal Cost	18.15%	\$129,614	15.20%	\$108,540
UAAL	-0.44%	-3,074	-1.27%	-9,132
Total Contribution	17.71%	\$126,538	13.93%	\$99,408

**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

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**CHART 13**

**Recommended Employer Contribution Rates (Dollar Amounts in Thousands)**

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*\*Amounts are in thousands and are based on June 30, 2004 projected annual payroll (Also in thousands):*

	<u>County</u>	<u>District</u>	<u>Total</u>
Miscellaneous Tier 1	\$ 61,299	\$ 1,568	\$ 62,867
Miscellaneous Tier 2	21,568		21,568
Miscellaneous Tier 3	<u>\$458,048</u>	<u>\$20,539</u>	<u>\$478,587</u>
Subtotal	\$540,915	\$22,107	\$563,022
Safety Tier 1	\$70,578	\$739	\$71,317
Safety Tier 2	<u>79,730</u>	<u>          </u>	<u>79,730</u>
Subtotal	\$150,308	\$739	\$151,047
Total	\$691,223	\$22,846	\$714,069

**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

The contribution rates as of June 30, 2004 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

**Reconciliation of Recommended Contribution**

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

*The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.*

**CHART 14**

**Reconciliation of Recommended Employer Contribution from June 30, 2003 to June 30, 2004 (Dollar Amounts in Thousands)**

	Contribution Rate	Estimated Annual Dollar Cost*
<b>Recommended Contribution Rate as of June 30, 2003, After Reflecting Members Paying Half and Full Rates and Receivable Contributions from Pension Obligation Bonds</b>	13.93%	\$ 99,408
Effect of investment losses	0.78%	5,570
Effect of difference in actual versus expected individual salary increases	0.41%	2,928
Effect of Ad Hoc COLA (Section 31681.55) granted by the employers	0.20%	1,428
Effect of other actuarial (gains)/losses	-0.28%	(1,885)
Effect of changes in economic and non-economic assumptions	5.69%	40,631
Effect of phase-in of employer's contribution rate impact due to changes in economic and non-economic assumptions over 2 years	-2.85%	(20,351)
Effect of changes in valuation software	-0.16%	(1,143)
Effect of proceeds from Sacramento Metro Fire Protection District Pension Obligation Bonds issued for former members of North Highlands on October 20, 2004	-0.01%	(48)
Subtotal	<u>3.78%</u>	<u>27,130</u>
<b>Recommended Contribution Rate as of June 30, 2004, After Reflecting Members Paying Half and Full Rates and Receivable Contributions from Pension Obligation Bonds.</b>	17.71%	\$126,538

\*Based on June 30, 2004 projected annual payroll of \$714,069,415.

**SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System**

The member contribution rates as of June 30, 2004 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

**Reconciliation of Recommended Contribution Rate**  
 The chart below details the changes in the recommended member contribution rate from the prior valuation to the current year's valuation.

*The chart reconciles the member contribution from the prior valuation to the amount determined in this valuation.*

**CHART 15**  
**Reconciliation of Average Recommended Member Contribution from June 30, 2003 to June 30, 2004 (Dollar Amounts in Thousands)**

	Contribution Rate	Estimated Amount*
<b>Average Recommended Contribution Rate as of June 30, 2003, After Reflecting Members Paying Half and Full Rates</b>	4.24%	\$30,277
Effect of changes in demographic profile of employee group	0.08%	571
Effect of changes in economic and non-economic assumptions	<u>0.63%</u>	<u>4,499</u>
<b>Total change</b>	<u>0.71%</u>	<u>\$5,070</u>
<b>Average Recommended Contribution Rate as of June 30, 2004, After Reflecting Members Paying Half and Full Rates</b>	4.95%	\$35,347

\*Based on June 30, 2004 projected compensation of \$714,069,415.

## SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

### E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

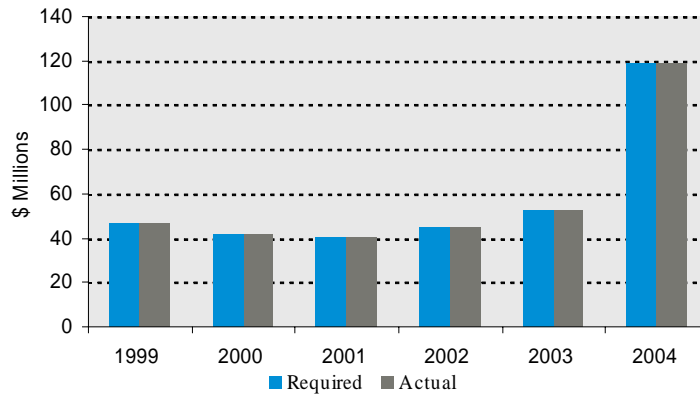
Critical information to GASB is the historical comparison of the GASB required contributions to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

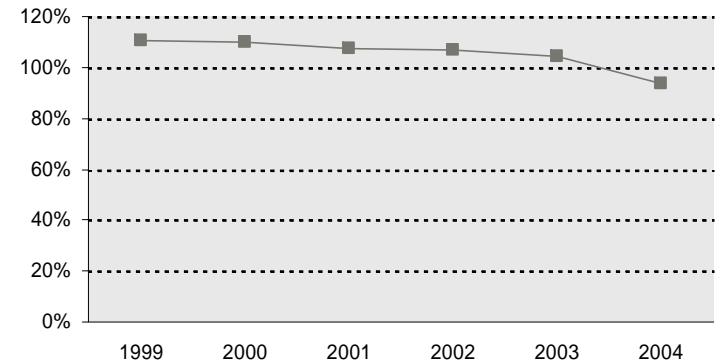
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits I, II, and III.

*These graphs show key GASB factors.*

**CHART 16**  
**Required Versus Actual Contributions**



**CHART 17**  
**Funded Ratio**



**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT A**

**Table of Plan Coverage**

**i. Miscellaneous Tier 1**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2004</b>	<b>2003</b>	
<b>Active members in valuation</b>			
Number	992	1,241	-20.1%
Average age	54.6	54.6	N/A
Average service	27.2	26.8	N/A
Projected total compensation <sup>(1) (2)</sup>	\$62,866,732	\$79,015,000	-20.4%
Projected average compensation	\$63,374	\$63,671	-0.5%
Account balances	\$117,818,721	\$108,505,707	8.6%
Total active vested members	990	1,236	-19.9%
<b>Vested terminated members</b>			
Number	312	350	-10.9%
Average age	55.3	54.6	N/A
<b>Retired members</b>			
Number in pay status	3,023	2,918 <sup>(3)</sup>	3.6%
Average age	70.9	71.5	N/A
Average monthly benefit	\$1,951	\$1,630	19.7%
<b>Disabled members</b>			
Number in pay status	327	350 <sup>(3)</sup>	-6.6%
Average age	68.4	67.6	N/A
Average monthly benefit	\$1,573	\$1,436	9.5%
<b>Beneficiaries</b>			
Number in pay status	741	714 <sup>(3)</sup>	3.8%
Average age	73.3	72.9	N/A
Average monthly benefit	\$1,107	\$959	15.4%

(1) Projected compensation was calculated by increasing the annualized compensation earned during 2003-2004 by 4.25%.

(2) For members without a salary reported for the June 30, 2004 valuation, we have assigned them an annual salary of \$57,000.

(3) Adjusted to reflect a single record for members receiving benefit payments from multiple tiers.

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT A**

**Table of Plan Coverage**

**ii. Miscellaneous Tier 2**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2004</b>	<b>2003</b>	
<b>Active members in valuation</b>			
Number	386	415	-7.0%
Average age	47.9	47.8	N/A
Average service	14.8	13.8	N/A
Projected total compensation <sup>(1) (2)</sup>	\$21,567,912	\$22,741,000	-5.2%
Projected average compensation	\$55,875	\$54,797	2.0%
Account balances	\$17,821,764	\$17,277,626	3.1%
Total active vested members	386	415	-7.0%
<b>Vested terminated members</b>			
Number	340	348	-2.3%
Average age	48.9	48.1	N/A
<b>Retired members</b>			
Number in pay status	129	105 <sup>(3)</sup>	22.9%
Average age	64.9	65.5	N/A
Average monthly benefit	\$628	\$491	27.9%
<b>Disabled members</b>			
Number in pay status	38	36 <sup>(3)</sup>	5.6%
Average age	58.4	57.2	N/A
Average monthly benefit	\$895	\$883	1.4%
<b>Beneficiaries</b>			
Number in pay status	27	27 <sup>(3)</sup>	0.0%
Average age	62.3	61.5	N/A
Average monthly benefit	\$494	\$437	13.0%

(1) Projected compensation was calculated by increasing the annualized compensation earned during 2003-2004 by 4.25%.

(2) For members without a salary reported for the June 30, 2004 valuation, we have assigned them an annual salary of \$49,000.

(3) Adjusted to reflect a single record for members receiving benefit payments from multiple tiers.

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT A**

**Table of Plan Coverage**

**iii. Miscellaneous Tier 3**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2004</b>	<b>2003</b>	
<b>Active members in valuation</b>			
Number	10,006	10,040	-0.3%
Average age	44.0	43.5	N/A
Average service	7.6	6.9	N/A
Projected total compensation <sup>(1) (2)</sup>	\$478,587,139	\$476,054,000	0.5%
Projected average compensation	\$47,830	\$47,416	0.9%
Account balances	\$234,970,045	\$194,379,412	20.9%
Total active vested members	5,317	4,821	10.3%
<b>Vested terminated members</b>			
Number	1,215	1,177	3.2%
Average age	44.5	43.5	N/A
<b>Retired members</b>			
Number in pay status	669	521 <sup>(3)</sup>	28.4%
Average age	64.4	64.4	N/A
Average monthly benefit	\$1,155	\$937	23.3%
<b>Disabled members</b>			
Number in pay status	117	104 <sup>(3)</sup>	12.5%
Average age	57.7	57.1	N/A
Average monthly benefit	\$1,279	\$1,119	14.3%
<b>Beneficiaries</b>			
Number in pay status	78	60 <sup>(3)</sup>	30.0%
Average age	54.9	53.5	N/A
Average monthly benefit	\$709	\$553	28.2%

(1) Projected compensation was calculated by increasing the annualized compensation earned during 2003-2004 by 4.25%.

(2) For members without a salary reported for the June 30, 2004 valuation, we have assigned them an annual salary of \$49,000.

(3) Adjusted to reflect a single record for members receiving benefit payments from multiple tiers.



**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT A**

**Table of Plan Coverage**

**iv. Safety Tier 1**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2004</b>	<b>2003</b>	
<b>Active members in valuation</b>			
Number	913	1,080	-15.5%
Average age	44.7	45.2	N/A
Average service	17.4	17.5	N/A
Projected total compensation <sup>(1) (2)</sup>	\$71,317,473	\$79,570,000	-10.4%
Projected average compensation	\$78,113	\$73,676	6.0%
Account balances	\$74,907,840	\$70,083,159	6.9%
Total active vested members	906	1,059	-14.4%
<b>Vested terminated members</b>			
Number	161	158	1.9%
Average age	45.0	44.1	N/A
<b>Retired members</b>			
Number in pay status	648	506 <sup>(3)</sup>	28.1%
Average age	62.8	64.2	N/A
Average monthly benefit	\$4,562	\$3,874	17.8%
<b>Disabled members</b>			
Number in pay status	178	172 <sup>(3)</sup>	3.5%
Average age	57.8	57.5	N/A
Average monthly benefit	\$3,005	\$2,756	9.0%
<b>Beneficiaries</b>			
Number in pay status	177	157 <sup>(3)</sup>	12.7%
Average age	64.2	64.9	N/A
Average monthly benefit	\$2,026	\$1,792	13.1%

(1) Projected compensation was calculated by increasing the annualized compensation earned during 2003-2004 by 4.25%.

(2) For members without a salary reported for the June 30, 2004 valuation, we have assigned them an annual salary of \$75,000.

(3) Adjusted to reflect a single record for members receiving benefit payments from multiple tiers.

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT A**

**Table of Plan Coverage**

**v. Safety Tier 2**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2004</b>	<b>2003</b>	
<b>Active members in valuation</b>			
Number	1,375	1,357	1.3%
Average age	35.0	35.1	N/A
Average service	6.1	5.9	N/A
Projected total compensation <sup>(1) (2)</sup>	\$79,730,159	\$75,916,000	5.0%
Projected average compensation	\$57,986	\$55,944	3.7%
Account balances	\$25,049,075	\$21,238,598	17.9%
Total active vested members	692	577	19.9%
<b>Vested terminated members</b>			
Number	82	81	1.2%
Average age	36.7	34.6	N/A
<b>Retired members</b>			
Number in pay status	115	81 <sup>(3)</sup>	42.0%
Average age	60.8	61.1	N/A
Average monthly benefit	\$3,462	\$2,838	22.0%
<b>Disabled members</b>			
Number in pay status	15	10 <sup>(3)</sup>	50.0%
Average age	52.3	57.0	N/A
Average monthly benefit	\$2,017	\$1,763	14.4%
<b>Beneficiaries</b>			
Number in pay status	9	5 <sup>(3)</sup>	80.0%
Average age	59.2	60.2	N/A
Average monthly benefit	\$1,740	\$1,430	21.7%

(1) Projected compensation was calculated by increasing the annualized compensation earned during 2003-2004 by 4.25%.

(2) For members without a salary reported for the June 30, 2004 valuation, we have assigned them an annual salary of \$57,000.

(3) Adjusted to reflect a single record for members receiving benefit payments from multiple tiers.

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT B**

**Members in Active Service and Projected Average Compensation as of June 30, 2004  
By Age and Years of Service**

**i. Miscellaneous Tier 1**

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	30	--	--	--	1	25	4	--	--	--
	\$50,896	--	--	--	\$26,101	\$52,098	\$49,583	--	--	--
45 - 49	147	--	1	1	9	65	66	5	--	--
	59,238	--	\$61,184	\$76,562	46,953	57,392	61,274	\$74,622	--	--
50 - 54	344	--	3	1	13	109	166	49	3	--
	64,284	--	52,236	35,374	55,714	62,324	67,329	62,147	\$60,751	--
55 - 59	344	1	5	4	7	69	104	121	31	2
	66,794	\$24,590	48,916	57,294	59,265	62,224	70,328	66,011	74,130	\$85,404
60 - 64	110	1	2	1	6	24	27	27	17	5
	60,095	47,967	43,032	39,249	47,397	54,150	62,691	66,811	60,895	64,285
65 - 69	11	--	--	--	--	1	3	3	4	--
	52,868	--	--	--	--	91,345	54,937	49,662	44,102	--
70 & over	6	--	--	--	--	1	2	3	--	--
	58,166	--	--	--	--	44,431	67,503	56,519	--	--
<b>Total</b>	<b>992</b>	<b>2</b>	<b>11</b>	<b>7</b>	<b>36</b>	<b>294</b>	<b>372</b>	<b>208</b>	<b>55</b>	<b>7</b>
	<b>\$63,374</b>	<b>\$36,278</b>	<b>\$49,867</b>	<b>\$54,337</b>	<b>\$52,005</b>	<b>\$59,711</b>	<b>\$66,467</b>	<b>\$65,039</b>	<b>\$67,126</b>	<b>\$70,319</b>

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT B**

**Members in Active Service and Projected Average Compensation as of June 30, 2004  
By Age and Years of Service**

**ii. Miscellaneous Tier 2**

Age	Total	Years of Service							
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 25	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--
30 - 34	6	--	--	6	--	--	--	--	--
35 - 39	\$45,221	--	--	\$45,221	--	--	--	--	--
40 - 44	48	--	2	39	7	--	--	--	--
45 - 49	49,505	--	\$21,846	48,574	\$62,591	--	--	--	--
50 - 54	96	--	1	59	32	4	--	--	--
55 - 59	56,261	--	30,085	56,428	57,169	\$53,086	--	--	--
60 - 64	89	--	1	49	36	3	--	--	--
65 - 69	59,642	--	36,834	56,325	64,684	60,913	--	--	--
70 & Over	78	--	4	32	36	6	--	--	--
	58,277	--	49,077	56,482	58,092	75,099	--	--	--
	53	--	--	25	19	8	1	--	--
	53,938	--	--	52,041	53,747	62,140	\$39,393	--	--
	10	--	--	6	3	1	--	--	--
	51,792	--	--	53,736	52,263	38,719	--	--	--
	5	--	--	4	1	--	--	--	--
	50,870	--	--	52,977	42,440	--	--	--	--
	1	--	--	1	--	--	--	--	--
	34,552	--	--	34,552	--	--	--	--	--
Total	386	--	8	221	134	22	1	--	--
	\$55,875	--	\$38,365	\$53,992	\$59,014	\$62,796	\$39,393	--	--

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT B**

**Members in Active Service and Projected Average Compensation as of June 30, 2004  
By Age and Years of Service**

**iii. Miscellaneous Tier 3**

Age	Total	Years of Service							
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 25	232	230	2	--	--	--	--	--	--
	\$25,113	\$25,021	\$35,740	--	--	--	--	--	--
25 - 29	854	775	79	--	--	--	--	--	--
	35,153	34,190	44,602	--	--	--	--	--	--
30 - 34	1,170	830	287	47	6	--	--	--	--
	43,616	39,816	53,740	\$47,478	\$54,859	--	--	--	--
35 - 39	1,379	693	378	248	59	--	1	--	--
	46,938	39,463	53,513	55,782	54,666	--	\$92,829	--	--
40 - 44	1,632	657	384	361	199	31	--	--	--
	49,317	40,285	53,947	54,814	59,163	\$56,148	--	--	--
45 - 49	1,691	557	395	361	281	94	3	--	--
	52,133	41,397	52,168	56,474	63,814	63,460	69,511	--	--
50 - 54	1,397	469	335	281	225	81	6	--	--
	52,276	42,499	53,518	57,169	59,410	64,960	79,283	--	--
55 - 59	1,084	323	243	220	208	85	3	2	--
	52,353	41,545	52,015	55,786	59,448	66,990	78,434	\$62,437	--
60 - 64	417	123	111	85	69	26	3	--	--
	51,758	42,933	54,237	54,429	58,047	56,041	64,355	--	--
65 - 69	112	32	40	13	19	7	1	--	--
	46,809	40,940	47,629	47,509	50,946	57,800	37,211	--	--
70 & Over	38	12	11	8	5	2	--	--	--
	45,598	26,393	46,783	78,368	40,792	35,254	--	--	--
Total	10,006	4,701	2,265	1,624	1,071	326	17	2	--
	\$47,830	\$38,807	\$52,793	\$55,695	\$59,915	\$63,171	\$73,097	\$62,437	--

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT B**

**Members in Active Service and Projected Average Compensation as of June 30, 2004  
By Age and Years of Service**

**iv. Safety Tier 1**

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	1	--	1	--	--	--	--	--	--	--
	\$65,787	--	\$65,787	--	--	--	--	--	--	--
30 - 34	62	1	33	27	1	--	--	--	--	--
	71,963	\$44,097	69,246	\$76,336	\$71,417	--	--	--	--	--
35 - 39	185	1	37	85	62	--	--	--	--	--
	74,884	43,621	71,895	73,361	79,258	--	--	--	--	--
40 - 44	240	1	17	75	117	30	--	--	--	--
	78,332	80,411	75,753	73,641	80,413	\$83,338	--	--	--	--
45 - 49	233	3	18	28	59	97	27	--	1	--
	80,197	64,892	70,764	66,595	77,431	84,341	\$94,225	--	\$59,185	--
50 - 54	117	--	1	9	22	40	40	4	--	1
	83,028	--	81,170	66,608	72,654	78,293	97,717	\$79,966	--	\$75,000
55 - 59	65	1	6	2	9	13	22	9	2	1
	77,188	83,887	91,703	81,790	80,944	65,316	81,608	68,355	61,212	108,952
60 - 64	7	--	--	--	2	2	1	2	--	--
	76,966	--	--	--	80,105	91,206	68,938	63,600	--	--
65 - 69	3	--	--	--	1	1	--	1	--	--
	60,203	--	--	--	77,240	59,185	--	44,184	--	--
Total	913	7	113	226	273	183	90	16	3	2
	\$78,113	\$63,813	\$72,602	\$72,777	\$78,852	\$81,441	\$92,412	\$69,153	\$60,536	\$91,976

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT B**

**Members in Active Service and Projected Average Compensation as of June 30, 2004  
By Age and Years of Service**

**v. Safety Tier 2**

Age	Years of Service							
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34
Under 25	57 \$37,089	57 \$37,089	-- --	-- --	-- --	-- --	-- --	-- --
25 - 29	327 48,391	267 44,568	60 \$65,402	-- --	-- --	-- --	-- --	-- --
30 - 34	443 60,297	197 51,552	237 67,042	9 \$74,121	-- --	-- --	-- --	-- --
35 - 39	257 63,037	88 57,374	131 65,291	36 67,730	2 \$80,079	-- --	-- --	-- --
40 - 44	123 64,159	35 54,748	48 66,869	21 66,386	17 70,779	2 \$84,149	-- --	-- --
45 - 49	72 63,957	17 53,669	17 62,673	16 68,352	13 68,689	8 71,757	1 \$66,419	-- --
50 - 54	59 63,574	15 51,410	8 71,066	10 67,926	7 59,165	10 65,634	9 73,491	-- --
55 - 59	31 69,375	7 80,448	4 71,587	3 57,796	3 65,042	5 61,741	8 67,519	1 \$83,779
60 - 64	6 80,393	-- --	-- --	1 67,018	1 144,249	1 82,421	3 62,889	-- --
65 - 69	-- --	-- --	-- --	-- --	-- --	-- --	-- --	-- --
Total	1,375 \$57,986	683 \$48,874	505 \$66,329	96 \$67,841	43 \$69,998	26 \$68,839	21 \$69,364	1 \$83,779

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT C**

**Reconciliation of Member Data – June 30, 2003 to June 30, 2004**

	<b>Active Members</b>	<b>Vested Former Members</b>	<b>Pensioners</b>	<b>Disableds</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of June 30, 2003	14,133	1,885	4,220	679	983	21,900
New members	743	103	0	0	101	947
Terminations – with vested rights	-161	161	0	0	0	0
Contributions Refunds	-433	-125	0	0	0	-558
Retirements	-584	-94	678	0	0	0
New disabilities	-12	-4	-28	44	0	0
Return to work	19	-19	0	0	0	0
Died with or without beneficiary	-29	-15	-214	-50	-42	-350
Data adjustments	-4	218	-72	2	-10	134
Number as of June 30, 2004	13,672	2,110	4,584	675	1,032	22,073



**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT D**

**Summary Statement of Income and Expenses on an Actuarial Value Basis**

	Year Ended June 30, 2004*	Year Ended June 30, 2003*
<b>Contribution income:</b>		
Employer contributions	\$119,144,097	\$ 52,840,790
Employee contributions	<u>42,863,624</u>	<u>43,699,827</u>
Contribution income	\$162,007,721	\$96,540,617
<b>Investment income:</b>		
Interest, dividends and other income	\$111,800,477	\$107,815,548
Adjustment toward market value	-3,125,346	-38,047,050
Less investment and administrative fees	<u>-18,686,994</u>	<u>-14,969,461</u>
Net investment income	<u>89,988,137</u>	<u>54,799,037</u>
<b>Total income available for benefits</b>	<b>\$251,995,858</b>	<b>\$151,339,654</b>
<b>Less benefit payments**:</b>		
Benefits paid	\$141,454,185	\$112,248,883
Withdrawal of contributions	3,989,918	2,906,302
Retiree health insurance	10,547,981	9,232,142
Retiree dental insurance	<u>1,763,253</u>	<u>1,633,830</u>
Benefit payments	\$157,755,337	\$126,021,157
<b>Change in reserve for future benefits</b>	<b>\$94,240,521</b>	<b>\$25,318,497</b>

\*Before adjustments to include receivable contributions from Pension Obligation Bonds.

\*\*Excludes retroactive benefits.

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT E**

**Summary Statement of Assets**

	Year Ended June 30, 2004*	Year Ended June 30, 2003*
<b>Cash equivalents</b>	\$208,185,262	\$185,812,347
<b>Accounts receivable:</b>		
Contributions	\$ 5,401,530	\$ 2,707,891
Accrued interest	14,643,879	13,827,077
Sales of securities	<u>93,442,767</u>	<u>23,488,055</u>
Total accounts receivable	113,488,176	40,023,023
<b>Investments:</b>		
Equities	\$2,380,617,346	\$1,981,073,270
Fixed income investments	1,032,626,282	908,962,085
Real estate	359,043,822	375,247,870
Securities lending collateral	432,733,273	258,075,384
Other assets	<u>1,895,062</u>	<u>2,661,778</u>
Total investments at market value	<u>4,206,915,785</u>	<u>3,526,020,387</u>
<b>Total assets</b>	\$4,528,589,223	\$3,751,855,757
<b>Less accounts payable:</b>		
Securities lending	-\$432,733,273	-\$258,075,384
Accounts payable and other accrued liabilities	-27,496,810	-8,606,253
Investment trades, mortgages, and warrants payable	-303,198,993	-220,478,076
Retroactive benefits payable	<u>-3,495,153</u>	<u>-25,870,000</u>
Total accounts payable	-\$766,924,229	-\$513,029,713
<b>Net assets at market value</b>	<u>\$3,761,664,994</u>	<u>\$3,238,826,044</u>
<b>Net assets at actuarial value</b>	<u>\$3,958,640,315</u>	<u>\$3,864,399,794</u>
<b>Net assets at valuation value</b>	<u>\$3,867,580,437</u>	<u>\$3,628,760,197</u>

*Note: Results may be slightly off due to rounding.*

*\*Before adjustments to include receivable contributions from Pension Obligation Bonds.*

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT F**

**Actuarial Balance Sheet**

An overview of your Plan's funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that will be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the "liability" of the Plan.

Second, we determine how this liability will be met. These actuarial "assets" include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments.

**Actuarial Balance Sheet (Dollar Amounts in Thousands)**

<b>Assets</b>	<u>Basic</u>	<u>Cola</u>	<u>Total</u>
1. Total valuation assets			
a. Valuation value assets	\$2,527,207	\$1,340,374	\$3,867,581
b. Receivable POB contributions	\$420,874	\$0	\$420,874
c. Balance of transfer to offset member COLA rate	\$0	\$44,450	\$44,450
d. Non-valuation reserves	\$59,652	\$0	\$59,652
e. Adjustment to 1a. for surplus/(deficit) for withdrawn employers (preliminary)*	-\$13,043	\$0	-\$13,043
2. Present value of future contributions by members	\$247,276	\$74,833	\$322,109
3. Present value of future employer contributions for:			
a. Entry age normal cost	\$945,101	\$178,382	\$1,123,483
b. Unfunded actuarial accrued liability	<u>\$217,014</u>	<u>\$97,481</u>	<u>\$314,495</u>
4. Total current and future assets	\$4,408,081	\$1,735,520	\$6,139,601
<b>Liabilities</b>			
5. Present value of benefits already granted	\$1,144,670	\$826,474	\$1,971,144
6. Present value of benefits to be granted	\$3,212,802	\$909,046	\$4,121,848
7. Non-valuation reserves	\$59,652	\$0	\$59,652
8. Surplus/(deficit) for withdrawan employers (preliminary)*	<u>-\$13,043</u>	<u>\$0</u>	<u>-\$13,043</u>
9. Total liabilities	\$4,404,081	\$1,735,520	\$6,139,601

*\*Based on the latest estimate available as of June 30, 2003.*

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

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**EXHIBIT G**

**Summary of Reported Asset Information as of June 30, 2004**

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	Reserves*
<b><u>Included in Valuation Value of Assets</u></b>	
Employee reserve	\$ 528,600,970
Employer reserve	1,490,758,625
Retiree reserve	<u>1,879,628,282</u>
Subtotal: Valuation Value of Assets	\$3,898,987,877
<b><u>Not Included in Valuation Value of Assets</u></b>	
Retiree health benefit reserve	\$ 1,572,766
Retiree death benefit reserve	12,793,780
Contingency reserve (1% of assets)	<u>45,285,892</u>
Subtotal: Actuarial Value of Assets	\$3,958,640,315
Market stabilization reserve	<u>(196,975,321)</u>
Total Market Value of Assets	\$3,761,664,994

*\*Before adjustments to include receivable contributions from Pension Obligation Bonds.*

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT H**

**Development of Unfunded/(Overfunded) Actuarial Accrued Liability and for Year Ended June 30, 2004**

	(Dollar Amounts in Thousands)
1. Unfunded Actuarial Accrued Liability at beginning of year*	-\$176,106
2. Gross Normal Cost	\$146,958
3. Actual employer and member contributions**	-\$162,881
4. Interest	\$ 14,848
5. Expected unfunded actuarial accrued liability at end of year	-\$177,180
6. Actuarial (gain)/loss due to all changes:	
a. Loss from investment	\$101,897
b. Higher than expected salary increase	\$ 52,733
c. Ad hoc COLA (Section 31601.55) granted by the employers	\$ 26,668
d. Change in assumptions	\$310,201
e. Other experience (gain)/loss	\$ 176
f. Subtotal	\$491,675
7. Actual Unfunded Actuarial Accrued Liability at end of year	\$314,495

\* Adjusted to include \$420,000,000 in receivable contributions from Pension Obligation Bonds issued on July 1, 2004.

\*\* Adjusted to include \$874,000 in receivable contributions from Pension Obligation Bonds issued on October 20, 2004.

### SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

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#### EXHIBIT I

#### Section 415 Limitations

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Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar indexed for inflation. That limit is \$165,000 for 2004 and \$170,000 for 2005. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contributions rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

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**EXHIBIT J**

**Definitions of Pension Terms**

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The following list defines certain technical terms for the convenience of the reader:

**Assumptions or Actuarial**

**Assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Normal Cost:**

The amount of contributions required to fund the level cost allocated to the current year of service.

**Actuarial Accrued Liability**

**For Actives:**

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

**Actuarial Accrued Liability**

**For Pensioners:**

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

**Unfunded Actuarial Accrued**

**Liability:**

The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan. There is a wide range of approaches to recognizing the unfunded or overfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

**SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System**

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**Amortization of the Unfunded  
(Overfunded) Actuarial  
Accrued Liability:**

Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.

**Investment Return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market value gains and losses to avoid significant swings in the value of assets from one year to the next.



**SECTION 4: Supplemental Information for the Sacramento County Employees' Retirement System**

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**EXHIBIT I**

**Supplementary Information Required by the GASB – Schedule of Employer Contributions**

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<b>Plan Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
1999	\$ 46,745,055	\$ 46,745,055	100.0%
2000	42,023,885	42,023,885	100.0%
2001	40,358,154	40,358,154	100.0%
2002	44,547,261	44,547,261	100.0%
2003	52,840,790	52,840,790	100.0%
2004	119,114,097	119,114,097	100.0%

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**SECTION 4: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT II**

**Supplementary Information Required by the GASB – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)* (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (%) (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (%) [(b) - (a)] / (c)</b>
6/30/1996	\$1,956,715,000	\$1,987,230,000	\$30,515,000	98.5	\$417,603,000	7.3
6/30/1997	2,238,557,000	2,226,440,000	(12,117,000)	100.5	419,467,000	-2.9
6/30/1998	2,600,547,000	2,409,642,000	(190,905,000)	107.9	470,385,000	-40.6
6/30/1999	3,017,639,000	2,734,548,000	(283,091,000)	110.4	502,325,000	-56.4
6/30/2000	3,427,348,000	3,111,760,000	(315,588,000)	110.1	559,047,000	-56.5
6/30/2001	3,718,198,000	3,451,864,000	(266,334,000)	107.7	634,798,000	-42.0
6/30/2002	3,839,081,000	3,586,250,000	(252,831,000)	107.1	695,259,000	-36.4
6/30/2003**	4,284,400,000	4,108,294,000	(176,106,000)	104.3	733,296,000	-24.0
6/30/2004**	4,379,514,000	4,694,009,000	314,495,000	93.3	714,069,415	44.0

\*Includes contingency reserve (1% of assets), retiree health benefit reserve, retiree death benefit reserve and amount over reserved benefits.

\*\*Includes receivable contributions from Pension Obligation Bonds.

**SECTION 4: Supplemental Information for the Sacramento County Employees' Retirement System**

**EXHIBIT III**

**Supplementary Information Required by the GASB**

<b>Valuation date</b>	June 30, 2004
<b>Actuarial cost method</b>	Entry Age Normal Cost Method
<b>Amortization method</b>	Level percent of payroll for total unfunded liability
<b>Remaining amortization period</b>	29 years (declining) for all UAAL
<b>Asset valuation method</b>	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and its recognized over a five year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
<b>Actuarial assumptions:</b>	
Investment rate of return	7.75%
Inflation rate	4.00%
Real across-the-board salary increase	0.25%
Projected salary increases*	5.25% to 10.85% for Miscellaneous; 5.65% to 9.75% for Safety
Cost of living adjustments	3.50% of Miscellaneous and Safety Tier 1 retirement income, 2.00% of Miscellaneous Tier 3 and Safety Tier 2 retirement income, and 0.00% of Miscellaneous Tier 2 retirement income.
<b>Plan membership:</b>	
Retired members and beneficiaries receiving benefits	6,291
Terminated members entitled to, but not yet receiving benefits	2,110
Active members	<u>13,672</u>
Total	22,073

\* Includes inflation at 4.00%, plus real across-the-board salary increase of 0.25% plus merit and longevity increases. See Exhibit IV for these increases.

**SECTION 4: Supplemental Information for the Sacramento County Employees' Retirement System**

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**EXHIBIT IV**

**Actuarial Assumptions and Actuarial Cost Method**

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**Post – Retirement Mortality Rates:**

<i>Healthy:</i>	For Miscellaneous Members: 1994 Group Annuity Mortality Table. For Safety Members: 1994 Group Annuity Mortality Table.
<i>Disabled:</i>	For Miscellaneous Members: 1981 Miscellaneous Disability Mortality Table set back two years. For Safety members: 1994 Group Annuity Mortality Table.
<i>Employee Contribution Rate:</i>	For Miscellaneous members, 1994 Group Annuity Mortality Table weighted 40% male and 60% female. For Safety members, 1994 Group Annuity Mortality Table weighted 75% male and 25% female.

**SECTION 4: Supplemental Information for the Sacramento County Employees' Retirement System**

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**Termination Rates Before Retirement:**

Age	Rate (%)			
	Mortality			
	Miscellaneous		Safety	
	Male	Female	Male	Female
25	0.07	0.03	0.07	0.03
30	0.08	0.04	0.08	0.04
35	0.09	0.05	0.09	0.05
40	0.11	0.07	0.11	0.07
45	0.16	0.10	0.16	0.10
50	0.26	0.14	0.26	0.14
55	0.44	0.23	0.44	0.23
60	0.80	0.44	0.80	0.44
65	1.45	0.86	1.45	0.86

All pre-retirement deaths are assumed to be non-service connected.

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Termination Rates Before Retirement (continued):**

<b>Age</b>	<b>Rate (%)</b>	
	<b>Disability</b>	
	<b>Miscellaneous<sup>(1)</sup></b>	<b>Safety<sup>(2)</sup></b>
20	0.00	0.20
25	0.01	0.20
30	0.03	0.26
35	0.06	0.42
40	0.13	0.56
45	0.22	0.72
50	0.32	0.92
55	0.48	1.30
60	0.82	0.00

<sup>(1)</sup> 15% of Miscellaneous disabilities are assumed to be duty disabilities. The other 85% are assumed to be ordinary disabilities.

<sup>(2)</sup> 85% of Safety disabilities are assumed to be duty disabilities. The other 15% are assumed to be ordinary disabilities.

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Termination Rates Before Retirement (continued):**

Rate (%)		
Withdrawal (< 5 Years of Service)		
Years of Service	Miscellaneous	Safety
0	13.00	8.00
1	7.00	4.00
2	6.00	3.00
3	5.00	2.00
4	4.00	2.00
Withdrawal (5+ Years of Service) *		
Age	Miscellaneous	Safety
20	4.00	2.00
25	4.00	2.00
30	4.00	2.00
35	4.00	1.80
40	3.00	1.50
45	2.30	1.20
50	1.80	0.00
55	1.50	0.00
60	0.00	0.00

\* 25% of the members are assumed to elect a refund of contribution balance while the remaining 75% are assumed to elect a deferred retirement benefit. No withdrawal is assumed after a member is eligible for retirement.

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Retirement Rates:**

Age	Rate (%)		
	Miscellaneous Tier 1	Miscellaneous Tiers 2 & 3	Safety
45	-	-	-
46	-	-	-
47	-	-	-
48	-	-	-
49	-	-	-
50	6.00	3.00	33.00
51	6.00	3.00	25.00
52	6.00	3.00	25.00
53	6.00	5.00	33.00
54	9.00	6.00	33.00
55	10.00	8.00	50.00
56	11.00	10.00	50.00
57	15.00	13.00	50.00
58	23.00	22.00	50.00
59	26.00	22.00	50.00
60	28.00	23.00	100.00
61	31.00	27.00	100.00
62	40.00	47.00	100.00
63	45.00	56.00	100.00
64	45.00	56.00	100.00
65	52.00	71.00	100.00
66	46.00	54.00	100.00
67	52.00	58.00	100.00
68	60.00	66.00	100.00
69	75.00	83.00	100.00
70	100.00	100.00	100.00



**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Retirement Age and Benefit for  
Deferred Vested Members:**

For current deferred vested members, we make the following retirement assumption:

Miscellaneous Age: 58

Safety Age: 55

We assume that 55% of future Miscellaneous and 65% of future Safety deferred vested members are reciprocal. For reciprocals, we assume 5.95% compensation increases per annum.

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**Future Benefit Accruals:**

1.0 year of service per year for the full-time employees. Continuation of current partial service accrual for part-time employees.

**Unknown Data for Members:**

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

**Inclusion of Deferred Vested  
Members:**

All deferred vested members are included in the valuation.

**Percent Married:**

80% of male members; 50% of female members.

**Age of Spouse:**

Female (or male) spouses are 3 years younger (or older) than their spouses.

**Service From Unused  
Sick Leave Conversion:**

The following assumptions for service converted from unused sick leave as a percentage of service at retirement are used:

Service Retirements:

Miscellaneous: 1.0%

Safety: 2.0%

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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Disability Retirements:

Miscellaneous: 0.0%  
 Safety: 0.0%

Pursuant to Section 31641.01, the cost of this benefit will be charged only to employers and will not affect member contribution rates.

**Net Investment Return:** 7.75%

**Employee Contribution  
 Crediting Rate:** 7.75%

**Cost-of-Living Adjustment  
 for Retirees:** Miscellaneous and Safety Tier 1 benefits are assumed to increase at 3.50% per year. Miscellaneous Tier 3 and Safety Tier 2 benefits are assumed to increase at 2.0% per year. Miscellaneous Tier 2 receive no COLA increases.

**Salary Increases:**

Annual Rate of Compensation Increase (%)		
Inflation: 4.00%, plus the following Merit and Longevity		
Age	Miscellaneous	Safety
20	7.80	5.90
25	5.10	4.90
30	3.50	3.80
35	2.90	2.60
40	2.30	2.00
45	2.00	1.50
50	1.70	1.50
55	1.30	1.50
60	1.20	0.00

There are assumed to be 0.25% “across the board” salary increases (other than inflation).

## SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

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**Actuarial Value of Assets:**

The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and its recognized over a five year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.

**Actuarial Cost Method:**

Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Actuarial Accrued Liability are calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total current salaries. The total Unfunded Actuarial Accrued Liability is amortized over a declining 29-year period.

## SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

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### **Changes in Actuarial Assumptions:**

Based on the November 11, 2004 review of economic assumptions, several assumptions were changed. Previously, those assumptions were as follow:

#### **Healthy:**

For Miscellaneous Members and Beneficiaries: 1994 Uninsured Pensioner Mortality Table set back two years for males (from the male table) and no setback for females (from the female table).

For Safety Members: 1994 Uninsured Pensioner Mortality Table for Males.

For Safety Beneficiaries: 1994 Uninsured Pensioner Mortality Table for Females.

#### **Disabled:**

For Miscellaneous members: 1981 Miscellaneous Disability Mortality Table.

For Safety members: 1981 Safety Disability Mortality Table set back one year.

#### **Employee Contribution Rate:**

For Miscellaneous members, 1994 Uninsured Pensioner Mortality Table for Males set back three years.

For Safety members, 1994 Uninsured Pensioner Mortality Table for Males.

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Termination Rates Before Retirement:**

<b>Age</b>	<b>Rate (%)</b>				
	<b>Ordinary Mortality</b>				<b>Safety</b>
	<b>Miscellaneous Tier 1</b>		<b>Miscellaneous Tier 2 &amp; 3</b>		
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	
25	0.06	0.03	0.06	0.03	0.07
30	0.08	0.04	0.08	0.04	0.09
35	0.09	0.05	0.09	0.05	0.09
40	0.10	0.08	0.10	0.08	0.12
45	0.15	0.10	0.15	0.10	0.17
50	0.23	0.15	0.23	0.15	0.28
55	0.39	0.25	0.39	0.25	0.48
60	0.68	0.48	0.68	0.48	0.00
65	1.23	0.93	1.23	0.93	0.00

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Termination Rates Before Retirement (continued):**

Rate (%)					
Duty Mortality					
Age	Miscellaneous Tier 1		Miscellaneous Tier 2 & 3		Safety
	Male	Female	Male	Female	
25	0.01	0.00	0.01	0.00	0.02
30	0.01	0.00	0.01	0.00	0.02
35	0.01	0.00	0.01	0.00	0.02
40	0.01	0.00	0.01	0.00	0.02
45	0.01	0.00	0.01	0.00	0.03
50	0.01	0.00	0.01	0.00	0.03
55	0.01	0.00	0.01	0.00	0.04
60	0.01	0.00	0.01	0.00	0.00
65	0.01	0.00	0.01	0.00	0.00

Rate (%)					
Ordinary Disability					
Age	Miscellaneous Tier 1		Miscellaneous Tier 2 & 3		Safety
	Male	Female	Male	Female	
25	0.25	0.01	0.01	0.01	0.02
30	0.25	0.02	0.02	0.02	0.04
35	0.25	0.02	0.02	0.03	0.07
40	0.25	0.10	0.13	0.08	0.12
45	0.25	0.36	0.20	0.11	0.19
50	0.45	0.50	0.32	0.20	0.28
55	0.45	0.50	0.39	0.41	0.43
60	0.45	0.50	0.49	0.66	0.00
65	0.45	0.50	0.49	1.04	0.00

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Termination Rates Before Retirement (continued):**

Rate (%)					
Duty Disability					
Age	Miscellaneous Tier 1		Miscellaneous Tier 2 & 3		Safety
	Male	Female	Male	Female	
25	0.01	0.01	0.01	0.01	0.09
30	0.01	0.01	0.03	0.01	0.18
35	0.02	0.02	0.04	0.02	0.35
40	0.06	0.02	0.04	0.01	0.46
45	0.11	0.04	0.05	0.01	0.68
50	0.22	0.08	0.08	0.06	1.00
55	0.33	0.17	0.12	0.21	1.00
60	0.48	0.17	0.21	0.23	1.00
65	0.77	0.21	0.34	0.26	0.00

Rate (%)					
Vested Termination (5+ years)					
Age	Miscellaneous Tier 1		Miscellaneous Tier 2 & 3		Safety
	Male	Female	Male	Female	
25	1.50	1.50	9.70	7.07	5.00
30	1.50	1.50	3.00	3.07	1.32
35	1.25	1.25	2.50	2.60	0.96
40	1.25	1.25	2.25	2.20	0.66
45	1.08	1.00	2.10	1.60	0.46
50	0.42	0.70	2.00	1.50	0.25
55	0.00	0.00	2.00	1.50	0.25
60	0.00	0.00	2.00	1.02	0.00
65	0.00	0.00	2.00	0.00	0.00

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Termination Rates Before Retirement (continued):**

Age	Rate (%)				
	Ordinary Withdrawal (5+ years) <sup>(1)</sup>				
	Miscellaneous Tier 1		Miscellaneous Tier 2 & 3		Safety
Male	Female	Male	Female		
25	6.18	8.58	7.31	9.34	0.70
30	3.43	4.32	2.40	4.84	0.60
35	3.61	1.13	2.16	2.37	0.55
40	2.06	0.65	1.94	2.20	0.50
45	0.37	0.29	1.38	1.39	0.50
50	0.21	0.26	1.05	0.70	0.00
55	0.00	0.00	0.80	0.66	0.00
60	0.00	0.00	0.55	0.48	0.00
65	0.00	0.00	0.00	0.00	0.00

<sup>(1)</sup> Rates are zero for members eligible to retire.



**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Termination Rates Before Retirement (continued):**

The following rates apply for those members with at least four years of service but less than five years of service.

<b>Rate (%)</b>					
<b>Ordinary Withdrawal (4 - 5 years)</b>					
<b>Age</b>	<b>Miscellaneous Tier 1</b>		<b>Miscellaneous Tier 2 &amp; 3</b>		<b>Safety</b>
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	
25	9.00	9.00	2.50	3.50	1.00
30	6.60	7.59	2.50	3.50	1.00
35	4.60	4.79	2.50	3.50	1.00
40	2.90	2.93	2.50	3.50	1.00
45	1.66	2.15	2.50	3.50	0.00
50	1.02	1.84	2.50	3.50	0.00
55	0.78	1.37	2.50	3.50	0.00
60	0.55	0.80	2.50	3.50	0.00
65	0.00	0.00	0.00	3.50	0.00

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Termination Rates Before Retirement (continued):**

The following ordinary withdrawal rates apply for those members with at least three years of service, but less than four years of service.

Rate (%)					
Ordinary Withdrawal (3 – 4 years)					
Age	Miscellaneous Tier 1		Miscellaneous Tier 2 & 3		Safety
	Male	Female	Male	Female	
25	9.00	9.00	4.40	7.50	2.00
30	6.60	7.59	4.40	6.00	2.00
35	4.60	4.79	4.40	5.00	2.00
40	2.90	2.93	4.40	4.50	2.00
45	1.66	2.15	4.40	3.50	0.00
50	1.02	1.84	4.40	3.00	0.00
55	0.78	1.37	4.40	1.50	0.00
60	0.55	0.80	4.40	1.00	0.00
65	0.00	0.00	0.00	1.00	0.00

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Termination Rates Before Retirement (continued):**

The following rates apply for those members with at least two years of service but less than three years of service.

Rate (%)					
Ordinary Withdrawal (2 - 3 years)					
Age	Miscellaneous Tier 1		Miscellaneous Tier 2 & 3		Safety
	Male	Female	Male	Female	
25	9.00	9.00	4.70	5.38	2.00
30	6.60	7.59	4.70	5.38	2.00
35	4.60	4.79	4.70	5.38	2.00
40	2.90	2.93	4.70	5.38	2.00
45	1.66	2.15	4.70	5.38	0.00
50	1.02	1.84	4.70	5.38	0.00
55	0.78	1.37	4.70	5.38	0.00
60	0.55	0.80	4.70	5.38	0.00
65	0.00	0.00	0.00	5.38	0.00

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Termination Rates Before Retirement (continued):**

The following ordinary withdrawal rates apply for those members with at least one year of service, but less than two years of service.

Rate (%)					
Ordinary Withdrawal (1 - 2 years)					
Age	Miscellaneous Tier 1		Miscellaneous Tier 2 & 3		Safety
	Male	Female	Male	Female	
25	9.00	9.00	6.28	8.50	2.50
30	6.60	7.59	6.28	8.50	2.50
35	4.60	4.79	6.28	8.50	2.50
40	2.90	2.93	6.28	8.50	2.50
45	1.66	2.15	6.28	8.50	0.00
50	1.02	1.84	6.28	8.50	0.00
55	0.78	1.37	6.28	8.50	0.00
60	0.55	0.80	6.28	8.50	0.00
65	0.00	0.00	0.00	8.50	0.00

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Termination Rates Before Retirement (continued):**

The following ordinary withdrawal rates apply for those members with less than one year of service.

Rate (%)					
Ordinary Withdrawal (0 - 1 year)					
Age	Miscellaneous Tier 1		Miscellaneous Tier 2 & 3		Safety
	Male	Female	Male	Female	
25	9.00	9.00	9.32	10.50	6.00
30	6.60	7.59	9.32	10.50	6.00
35	4.60	4.79	9.32	10.50	6.00
40	2.90	2.93	9.32	10.50	6.00
45	1.66	2.15	9.32	10.50	6.00
50	1.02	1.84	9.32	10.50	0.00
55	0.78	1.37	9.32	10.50	0.00
60	0.55	0.80	9.32	10.50	0.00
65	0.00	0.00	0.00	10.50	0.00

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Retirement Rates:**

Age	Rate (%)	
	Miscellaneous Tier 1	
	Male	Female
45	-	-
46	-	-
47	-	-
48	-	-
49	-	-
50	4.18	7.02
51	3.59	4.91
52	2.30	4.51
53	4.45	7.26
54	5.96	11.72
55	8.40	10.85
56	10.22	11.04
57	18.01	13.09
58	25.01	21.40
59	27.90	23.88
60	30.66	25.06
61	33.79	27.99
62	37.84	42.56
63	39.38	49.30
64	39.79	49.48
65	41.69	60.00
66	44.78	47.29
67	47.88	56.18
68	54.72	64.20
69	68.40	80.25
70	100.00	100.00

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Change in Actuarial Assumptions (Previous Assumptions Continued):**

**Retirement Rates (continued):**

Age	Rate (%)		
	Miscellaneous Tier 2 & 3		Safety
	Male	Female	
41	-	-	-
42	-	-	-
43	-	-	-
44	-	-	-
45	-	-	-
46	-	-	-
47	-	-	-
48	-	-	-
49	-	-	-
50	1.78	4.58	33.00
51	1.94	2.96	25.00
52	1.40	2.50	25.00
53	4.51	4.73	33.00
54	3.67	7.60	33.00
55	6.13	9.22	50.00
56	6.90	12.16	50.00
57	12.05	14.16	50.00
58	16.59	25.44	50.00
59	17.10	24.90	50.00
60	18.25	26.77	100.00
61	20.31	32.02	100.00
62	40.15	51.69	100.00
63	49.75	60.43	100.00
64	48.98	60.94	100.00
65	64.74	75.00	100.00
66	59.14	49.86	100.00
67	53.54	60.61	100.00
68	61.19	69.27	100.00
69	76.48	86.59	100.00
70	100.00	100.00	100.00

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Retirement Age and Benefit for  
Deferred Vested Members:**

For current deferred vested members, the following retirement age assumptions are made:

Miscellaneous Age: 62  
Safety Age: 55

It is assumed that 60% of future deferred vested members are reciprocal. For reciprocals, we assume 5.75% compensation increases per annum.

**Percent Married:**

70% of male members; 50% of female members.

**Net Investment Return:**

8.00%

**Employee Contribution  
Crediting Rate:**

8.00%

**Cost-of-Living Increase for Retirees:**

Increase of 3.00% per year; retiree COLA increases due to CPI subject to a 3.50% maximum change per year except for Miscellaneous Tier 3 and Safety Tier 2 benefits which are subject to a 2.0% maximum change per year. Miscellaneous Tier 2 receive no COLA increases.

**Salary Increases:**

Annual Rate of Compensation Increase (%)		
Inflation: 3.00%, plus the following Merit and Longevity		
Age	Miscellaneous	Safety
20	8.20	5.84
25	5.20	4.74
30	3.28	3.28
35	2.50	1.94
40	2.12	1.32
45	1.82	1.08
50	1.46	1.00
55	1.06	1.00
60	0.84	0.00

There are assumed to be 1.25% “across the board” salary increases (other than inflation).



**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**EXHIBIT V**

**Summary of Plan Provisions**

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This exhibit summarizes the major provisions of the SCERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

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**Membership Eligibility:**

	Membership with SCERS usually begins with the employment by the County or member District as a permanent full-time or part-time employee as provided in the County's or the District salary resolution.
<i>Miscellaneous Tier 1</i>	All Miscellaneous members hired on or before September 27, 1981.
<i>Miscellaneous Tier 2 and Tier 3</i>	All Miscellaneous members hired on or after September 27, 1981. Membership into Tier 2 or Tier 3 is determined by date of hire and by bargaining unit.
<i>Safety Tier 1 and Tier 2</i>	Membership into Tier 1 or Tier 2 for Safety employee is determined by date of hire and by bargaining unit.

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**Final Compensation for Benefit Determination:**

<i>Miscellaneous and Safety Tier 1</i>	Highest consecutive 1 year (12 months) of compensation earnable (§31462.1) (FAS1)
<i>Miscellaneous Tier 2 and Tier 3 and Safety Tier 2</i>	Highest consecutive 3 years (36 months) of compensation earnable. (§31462) (FAS3)

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**Service:** Years of service. (Yrs)

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**Service Retirement Eligibility:**

<i>General</i>	Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years of service, regardless of age (§31672).
<i>Safety</i>	Age 50 with 10 years of service, or after 20 years of Safety service, regardless of age (§31663.25).

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Benefit Formula:**

	<b>Retirement Age</b>	<b>Benefit Formula</b>
<i>Miscellaneous Tier 1 (§31676.14)</i>	50	$(1.48\% \times \text{FAS1} - 1/3 \times 1.48\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(1.95\% \times \text{FAS1} - 1/3 \times 1.95\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(2.44\% \times \text{FAS1} - 1/3 \times 2.44\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(2.61\% \times \text{FAS1} - 1/3 \times 2.61\% \times \$350 \times 12) \times \text{Yrs}$
	65	$(2.61\% \times \text{FAS1} - 1/3 \times 2.61\% \times \$350 \times 12) \times \text{Yrs}$

	<b>Retirement Age</b>	<b>Benefit Formula</b>
<i>Miscellaneous Tier 2 and Tier 3 (§31676.14)</i>	50	$(1.48\% \times \text{FAS3} - 1/3 \times 1.48\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(1.95\% \times \text{FAS3} - 1/3 \times 1.95\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(2.44\% \times \text{FAS3} - 1/3 \times 2.44\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(2.61\% \times \text{FAS3} - 1/3 \times 2.61\% \times \$350 \times 12) \times \text{Yrs}$
	65	$(2.61\% \times \text{FAS3} - 1/3 \times 2.61\% \times \$350 \times 12) \times \text{Yrs}$

	<b>Retirement Age</b>	<b>Benefit Formula</b>
<i>Safety Tier 1 (§31664.1)</i>	50	$(3\% \times \text{FAS1} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(3\% \times \text{FAS1} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(3\% \times \text{FAS1} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$
<i>Safety Tier 2 (§31664.1)</i>	50	$(3\% \times \text{FAS3} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(3\% \times \text{FAS3} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(3\% \times \text{FAS3} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$

**Maximum Benefit:** 100% of Highest Average Compensation (§31676.14, §31676.1, §31664.1)

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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*Additional Benefit Information:*

- For Miscellaneous members of the following Districts, benefits accrued before June 29, 2003 will continue to be calculated using §31676.1.
    1. Fair Oaks Cemetary District.
    2. Galt Asno Cemetary District
    3. University of California
- 

**Ordinary Disability:**

*Miscellaneous and Safety Tier 1*

*Eligibility*

Five years of service (§31720).

*Benefit Formula*

1.5% per year of service for Miscellaneous Tier 1 and 1.8% per year of service for Safety Tier 1. If the benefit does not exceed one-third of Final Compensation, the service is projected to 65 for Miscellaneous Tier 1 and 55 for Safety Tier 1, but the total benefit cannot be more than one-third of Final Compensation (§31727 and §31727.2).

*Miscellaneous Tier 2 and Tier3*

*And Safety Tier 1 & 2*

*Eligibility*

Five years of service (§31720).

*Benefit Formula*

20% of Final Compensation for the first five years of service plus 2% for each year of additional service for a maximum of 40% of Final Compensation (§31727.7).

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**Line-of-Duty Disability:**

*All Members*

*Eligibility*

No age or service requirements (§31720).

*Benefit Formula*

50% of the Final Compensation or 100% of Service Retirement benefit, if greater (§31727.4).

## SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

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### Pre-Retirement Death:

#### *All Members*

#### *Eligibility*

Any service.

#### *Benefit*

Refund of employee contributions with interest plus one month's compensation for each year of service to a maximum of six month's compensation (§31781).

#### *Death in Line-of-Duty*

50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

OR

#### *Vested Members*

#### *Eligibility*

Five years of service.

#### *Benefit*

60% of the greater of Service or Ordinary Disability Retirement benefit payable to surviving eligible spouse (§31765.1, §31781.1), in lieu of above.

#### *Death in Line-of-Duty*

50% of Final compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

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### Death After Retirement:

#### *All Members*

#### *Service or*

#### *Ordinary Disability Retirement*

60% of member's unmodified allowance continued to eligible spouse (§31760.1). \$4,000 lump sum benefit payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least one year prior to the date of retirement (§31760.1).

#### *Line-of-Duty Disability*

100% of member's allowance continued to eligible spouse (§31786).

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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**Withdrawal Benefits:**

<i>Less than Five Years of Service</i>	Refund of accumulated employee contributions with interest or earned benefit at age 70 (§31628). Effective January 1, 2003, a member may also elect to leave their contributions on deposit in the retirement fund (§31629.5).
<i>Five or More Years of Service</i>	If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire (§31700).

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**Post-retirement**

**Cost-of-Living Benefits:**

<i>Miscellaneous and Safety Tier 1</i>	Future changes based on Consumer Price Index to a maximum of 4% per year, excess “banked.” (§31870.3)
<i>Miscellaneous Tier 3 and Safety Tier 2</i>	Future changes based on Consumer Price Index to a maximum of 2% per year, excess “banked.” (§31870)

Note: There is no cost-of-living benefit for Miscellaneous Tier 2.

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**County Contributions:**

The amortization period for Unfunded Actuarial Accrued Liability is amortized over a declining 29-year period.

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

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<b>Member Contributions:</b>	Please refer to Appendix A for the specific rates.
<i>Miscellaneous Tier 1</i>	
<i>Basic</i>	Provide for an average annuity at age 55 equal to 1/240 of FAS1. (§31621.3)
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.
<i>Miscellaneous Tier 2</i>	
<i>Basic</i>	Provide for an average annuity at age 55 equal to 1/240 of FAS3. (§31621.3)
<i>Cost-of-Living</i>	None.
<i>Miscellaneous Tier 3</i>	
<i>Basic</i>	Provide for an average annuity at age 55 equal to 1/240 of FAS3. (§31621.3)
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.
<i>Safety Tier 1 and Tier 2</i>	
<i>Basic</i>	Provide for an average annuity at age 50 equal to 1/100 of FAS1 (FAS3 for Tier 2). (§31639.25)
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.

Note: The above rates are calculated for members paying full rates. For members paying half rates, their rates should be one-half of the rates provided in this report. In addition, for members entering the plan on or after January 1, 1975, they pay the rate at a single entry age (§31621.11 and §31639.26).

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**Other Information:**

Safety members with 30 or more years of service are exempt from paying member contributions. The same applies for Miscellaneous members hired on or before March 7, 1973.

**NOTE:** *The summary of major plan provisions is designed to outline principle plan benefits as interpreted for purposes of the actuarial valuation. If the System should find the plan summary not in accordance with the actual provisions, the System should alert the actuary so they can both be sure the proper provisions are valued.*

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

**Appendix A**

**Member Contribution Rates**

Comparison of Total Member Rate\*, \*\*from June 30, 2003 and June 30, 2004 Valuation

	June 30, 2003			June 30, 2004			Increase in Rate	
	Miscellaneous	Basic	COLA	Total	Basic	COLA		Total
Tier 1		3.64%	1.33%	4.97%	3.83%	1.68%	5.51%	0.54%
Tier 2		3.46%	0.00%	3.46%	3.63%	0.00%	3.63%	0.17%
Tier 3		3.46%	0.77%	4.23%	3.63%	1.16%	4.79%	0.56%
Safety	Basic	COLA	Total	Basic	COLA	Total	Increase in Rate	
Tier 1	8.51%	1.73%	10.24%	9.38%	3.08%	12.46%	2.22%	
Tier 2	8.09%	1.22%	9.31%	8.88%	1.87%	10.75%	1.44%	

\*For members paying half rates, their rates should be exactly one-half of rates described above.

\*\*Members who enter on or after 1/1/1975 contribute as indicated above and all others contribute the rate at their respective entry ages.

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

**Appendix A**

**Member Contribution Rates (Continued)**

**Miscellaneous Members' Contribution Rates from the June 30, 2004 Actuarial Valuation**

Entry Age	Basic Only				COLA Only				Total			
	First \$350 of Monthly Salary		Salary in Excess of \$350		First \$350 of Monthly Salary		Salary in Excess of \$350		First \$350 of Monthly Salary		Salary in Excess of \$350	
	Tier 1	Tier 2 & 3	Tier 1	Tier 2 & 3	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3
20	2.42%		3.63%		1.06%		1.59%		3.48%		5.22%	
21	2.41%		3.62%		1.06%		1.59%		3.47%		5.21%	
22	2.41%		3.62%		1.06%		1.59%		3.47%		5.21%	
23	2.41%		3.62%		1.06%		1.59%		3.47%		5.21%	
24	2.41%		3.62%		1.06%		1.59%		3.47%		5.21%	
25	2.42%		3.63%		1.06%		1.59%		3.48%		5.22%	
26	2.43%		3.64%		1.07%		1.60%		3.50%		5.24%	
27	2.43%		3.65%		1.07%		1.60%		3.50%		5.25%	
28	2.44%		3.66%		1.07%		1.61%		3.51%		5.27%	
29	2.45%		3.68%		1.08%		1.62%		3.53%		5.30%	
30	2.47%		3.70%		1.08%		1.62%		3.55%		5.32%	
31	2.48%		3.72%		1.09%		1.63%		3.57%		5.35%	
32	2.49%		3.74%		1.09%		1.64%		3.58%		5.38%	
33	2.51%		3.76%		1.10%		1.65%		3.61%		5.41%	
34	2.52%		3.78%		1.11%		1.66%		3.63%		5.44%	
35	2.54%		3.81%		1.11%		1.67%		3.65%		5.48%	
36	2.56%	2.42%	3.83%	3.63%	1.12%	0.77%	1.68%	1.16%	3.68%	3.19%	5.51%	4.79%
37	2.57%		3.86%		1.13%		1.70%		3.70%		5.56%	
38	2.59%		3.89%		1.14%		1.71%		3.73%		5.60%	
39	2.61%		3.92%		1.15%		1.72%		3.76%		5.64%	
40	2.63%		3.95%		1.15%		1.73%		3.78%		5.68%	
41	2.66%		3.98%		1.17%		1.75%		3.83%		5.73%	
42	2.68%		4.02%		1.17%		1.76%		3.85%		5.78%	
43	2.70%		4.05%		1.19%		1.78%		3.89%		5.83%	
44	2.72%		4.09%		1.19%		1.79%		3.91%		5.88%	
45	2.75%		4.12%		1.21%		1.81%		3.96%		5.93%	
46	2.77%		4.16%		1.22%		1.83%		3.99%		5.99%	
47	2.80%		4.20%		1.23%		1.84%		4.03%		6.04%	
48	2.82%		4.24%		1.24%		1.86%		4.06%		6.10%	
49	2.85%		4.28%		1.25%		1.88%		4.10%		6.16%	
50	2.88%		4.32%		1.27%		1.90%		4.15%		6.22%	
51	2.91%		4.36%		1.28%		1.92%		4.19%		6.28%	
52	2.94%		4.41%		1.29%		1.94%		4.23%		6.35%	
53	2.97%		4.45%		1.31%		1.96%		4.28%		6.41%	



**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

**Appendix A**

**Member Contribution Rates (Continued)**

**Miscellaneous Members' Contribution Rates from the June 30, 2004 Actuarial Valuation**

Entry Age	Basic Only				COLA Only				Total			
	First \$350 of Monthly Salary		Salary in Excess of \$350		First \$350 of Monthly Salary		Salary in Excess of \$350		First \$350 of Monthly Salary		Salary in Excess of \$350	
	Tier 1	Tier 2 & 3	Tier 1	Tier 2 & 3	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3
54	3.00%		4.50%		1.32%		1.98%		4.32%		6.48%	
55	3.00%		4.50%		1.32%		1.98%		4.32%		6.48%	
56	3.00%		4.50%		1.32%		1.98%		4.32%		6.48%	
57	3.00%		4.50%		1.32%		1.98%		4.32%		6.48%	
58	3.00%		4.50%		1.32%		1.98%		4.32%		6.48%	
59 & Over	3.00%		4.50%		1.32%		1.98%		4.32%		6.48%	

\*Full contribution rates expressed as a percentage of salary based upon the following interest and salary scale assumptions. Members who enter prior to 1/1/75 contribute as indicated above and all others contribute on the basis of a single entry age of 36.

Interest:	7.75% per annum	
COLA:	Tier 1:	3.50%
	Tier 2:	0.00%
	Tier 3:	2.00%
Mortality:	1994 Group Annuity Mortality Table weighted 40% male and 60% female.	
Salary increase:	Inflation (4.0%) + Across-the-Board Increase (0.25%) + Merit (See Exhibit IV).	
COLA Loading Factor:	Tier 1:	43.90%
	Tier 3:	31.91%
Non-Refundability factor:		
	Tier 1:	99.90%
	Tier 2:	99.13%
	Tier 3:	97.47%

**SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System**

**Appendix A**

**Member Contribution Rates (Continued)**

**Safety Members' Contribution Rates from the June 30, 2004 Actuarial Valuation (Under 3% at 50 formula)**

Entry Age	Basic Only				COLA Only				Total			
	First \$350 of Monthly Salary		Salary in Excess of \$350		First \$350 of Monthly Salary		Salary in Excess of \$350		First \$350 of Monthly Salary		Salary in Excess of \$350	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
20	6.18%		9.27%		2.03%		3.05%		8.21%		12.32%	
21	6.18%		9.26%		2.03%		3.04%		8.21%		12.30%	
22	6.17%		9.26%		2.03%		3.04%		8.20%		12.30%	
23	6.17%		9.26%		2.03%		3.04%		8.20%		12.30%	
24	6.18%		9.26%		2.03%		3.04%		8.21%		12.30%	
25	6.18%		9.28%		2.03%		3.05%		8.21%		12.33%	
26	6.20%		9.29%		2.03%		3.05%		8.23%		12.34%	
27	6.21%		9.32%		2.04%		3.06%		8.25%		12.38%	
28	6.23%		9.35%		2.05%		3.07%		8.28%		12.42%	
29	6.26%	5.92%	9.38%	8.88%	2.05%	1.25%	3.08%	1.87%	8.31%	7.17%	12.46%	10.75%
30	6.29%		9.43%		2.07%		3.10%		8.36%		12.53%	
31	6.32%		9.48%		2.07%		3.11%		8.39%		12.59%	
32	6.36%		9.54%		2.09%		3.13%		8.45%		12.67%	
33	6.40%		9.60%		2.11%		3.16%		8.51%		12.76%	
34	6.45%		9.67%		2.12%		3.18%		8.57%		12.85%	
35	6.50%		9.75%		2.13%		3.20%		8.63%		12.95%	
36	6.55%		9.83%		2.15%		3.23%		8.70%		13.06%	
37	6.61%		9.92%		2.17%		3.26%		8.78%		13.18%	
38	6.67%		10.01%		2.19%		3.29%		8.86%		13.30%	
39	6.73%		10.10%		2.21%		3.32%		8.94%		13.42%	
40	6.80%		10.20%		2.23%		3.35%		9.03%		13.55%	
41	6.86%		10.29%		2.25%		3.38%		9.11%		13.67%	
42	6.93%		10.39%		2.27%		3.41%		9.20%		13.80%	
43	7.00%		10.50%		2.30%		3.45%		9.30%		13.95%	
44	7.07%		10.61%		2.33%		3.49%		9.40%		14.10%	
45	7.15%		10.72%		2.35%		3.52%		9.50%		14.24%	
46	7.23%		10.84%		2.37%		3.56%		9.60%		14.40%	
47	7.31%		10.96%		2.40%		3.60%		9.71%		14.56%	
48	7.39%		11.08%		2.43%		3.64%		9.82%		14.72%	
49 & Over	7.46%		11.20%		2.45%		3.68%		9.91%		14.88%	

\*Full contribution rates expressed as a percentage of salary based upon the following interest and salary scale assumptions. Members who enter prior to 1/1/75 contribute as indicated above and all others contribute on the basis of a single entry age of 29.

## SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

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Interest:	7.75% per annum	
COLA:	Tier 1:	3.50%
	Tier 2:	2.00%
Mortality:	1994 Group Annuity Mortality Table weighted 75% male and 25% female.	
Salary increase:	Inflation (4.0%) + Across-the-Board Increase (0.25%) + Merit (See Exhibit IV).	
COLA Loading	Tier 1:	32.85%
Factor:	Tier 2:	21.04%

Non-Refundability factor:

Tier 1:	98.91%
Tier 2:	97.41%

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