

**Santa Barbara County Employees'
Retirement System**

**ACTUARIAL VALUATION
June 30, 2010**



By

Karen I. Steffen

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

and

Daniel R. Wade

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



1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
USA

Tel +1 206 624 7940
Fax +1 206 623 3485

milliman.com

December 7, 2010

Board of Retirement
Santa Barbara County Employees' Retirement System
3916 State Street, Suite 210
Santa Barbara, CA 93105

Dear Members of the Board:

As requested, we performed an actuarial valuation of the Santa Barbara County Employees Retirement System (SBCERS) as of June 30, 2010 for determining contributions for the fiscal year beginning July 1, 2011. Our findings are set forth in this actuary's report. This report reflects the benefit provisions in effect as of the valuation date.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for SBCERS. Actuarial computations presented in this report under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report

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have been made on a basis consistent with our understanding of the plan provisions described in Appendix B of this report, and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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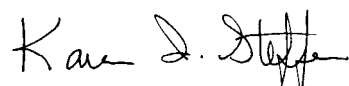
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

We would like to express our appreciation to members of SBCERS' staff, who gave substantial assistance in supplying the data on which this report is based.

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

Sincerely,



Karen I. Steffen, FSA, EA, MAAA
Consulting Actuary
KIS/DRW/nlo



Daniel R. Wade, FSA, EA, MAAA
Consulting Actuary

Santa Barbara County Employees' Retirement System

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Santa Barbara County Employees' Retirement System

Section 1: Summary of the Findings



Overview

2010 Valuation Results

	June 30, 2010	June 30, 2009
Employer Contribution Rate	34.48%	28.88%
Funded Ratio	73.7%	75.3%

We are pleased to present the results of the June 30, 2010 actuarial valuation. Key points are summarized as follows:

- **Experience Study:** Since our prior valuation, the assumptions used have been revised based upon the 2010 Investigation of Experience. As a result of the investigation, demographic assumptions for disability, termination, mortality, retirement, probability of marriage and sick leave load upon retirement were all updated to better reflect recent experience.

In addition, the Board elected to decrease the economic assumptions for inflation, wage growth and investment return (discount rate) from 3.50%, 4.00% and 8.16%, respectively, to 3.25%, 3.75% and 7.75%. It is our understanding that it is the Board's intention to use these assumptions for the 2010 and 2011 valuation, but then use a 7.50% investment return assumption for the 2012 valuation. All of the assumptions will be reviewed prior to the 2013 valuation as a result of the triennial Investigation of Experience scheduled for that time.

- **Investment Returns:** SBCERS' investment returns were 13.43% over the past year on a Market Value basis compared to an assumed return of 8.16% per year.

The Actuarial Value of Assets (AVA) is based upon the Market Value of Assets (MVA), but is a smoothed value that recognizes, over a five-year period, investment earnings less than (or greater than) the assumed investment return. When a loss (or gain) occurs, 20% of that amount is recognized each year until it is fully recognized in the fifth year.

Overview (continued)

To prevent the AVA from deviating too much from the MVA, it has been SBCERS practice to apply an asset corridor limit on the AVA, such that the AVA stays within 20% of the MVA. After the smoothed value of assets is calculated, the smoothed value is compared to 80% of MVA and 120% of MVA. If the smoothed value is within that range, the smoothed value is used. If the smoothed value is higher than 120% of MVA, then the AVA is set equal to 120% of MVA. Similarly, if the smoothed value is lower than 80% of MVA, the AVA is set equal to 80% of MVA.

At the time of the prior valuation, the smoothed value of assets was greater than 120% of the MVA. Because of this, the AVA used in the valuation was equal to 120% of MVA. As of this valuation, the AVA is approximately 119.7% of the MVA and thus, the asset corridor no longer applies.

After applying the asset-smoothing method and applying the asset corridor to the previous valuation results, the rate of return on the AVA was 13.16% since last year, higher than the assumed rate of 8.16%. Note that currently, the MVA is \$1,609.4 million, while the AVA is \$1,927.2 million. This means that a \$317.8 million net investment return loss is being deferred. These deferred losses will be reflected in future valuations.

- **Funded Ratio:** The Funded Ratio decreased from 75.3% to 73.7%. This is the ratio of the Valuation Assets (the AVA net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL). This decrease was caused primarily by the changes in assumptions pursuant to the Investigation of Experience. These losses were partially offset by the positive investment experience since the prior valuation. Please see Exhibit 13 for more detail.

On a Market Value of Valuation Assets basis, the funded ratio has decreased from 62.8% to 61.5%.

- **Contribution Rates:** The Employer Normal Cost rate increased from 14.21% to 16.58%. This increase was due almost entirely to the change in assumptions resulting from the Investigation of Experience.

The Employer's required contribution rate to finance the Unfunded Actuarial Accrued Liability (UAAL) over the 17-year amortization period is 17.90%. This compares to a rate of 14.67% in the previous valuation. The increase was primarily caused by the changes in assumptions and was partially offset by the positive investment experience in the previous year. The overall result is an increase in the required total contribution rate from the prior valuation of 5.60% (from 28.88% to 34.48%) of payroll.

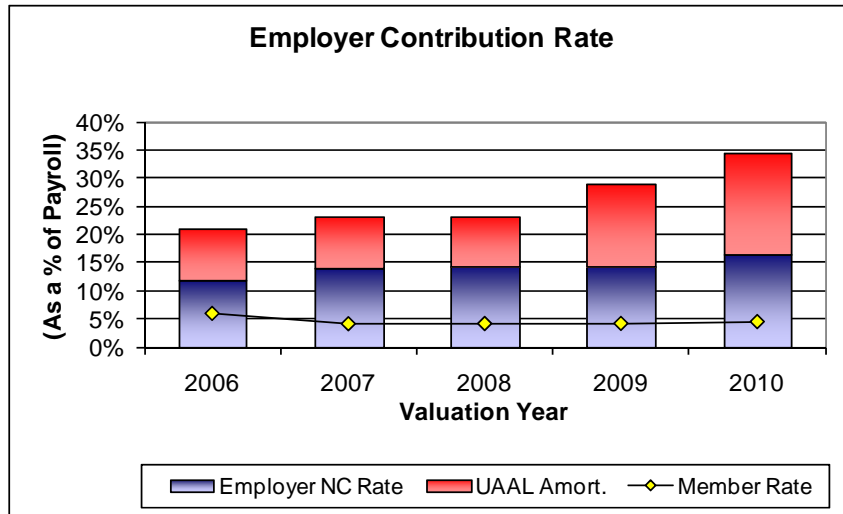
Employer Contribution Rate

Under the Board's current funding objectives, the calculated Employer contribution rate for the fiscal year beginning July 1, 2011 is 34.48% of payroll. This is equal to the payment of the Employer Normal Cost rate plus a 17-year amortization of the UAAL.

It should be noted that the 34.48% is a weighted average for all SBCERS cost groups (General, Safety, and APCD). The actual percentage of payroll to be contributed by the Employer varies by tier. See Exhibits 10a, 10b and 10c for Normal Cost rates by tier. See Exhibit 11a for the UAAL contribution rates for General, Safety, and APCD. See Exhibits 12a, 12b and 12c for the total Employer contribution rates by tier.

The new rate effective for the fiscal year beginning July 1, 2011 of 34.48% is currently adequate to maintain the funding of the retirement system benefits based on the actuarial methods and assumptions shown in this report, and satisfies the current funding objective that calls for the UAAL to be amortized over an open/rolling 17-year period.

A brief historical perspective of the Employer contribution rate is shown in the following graph.



Comparison with Last Year

A detailed analysis of the sources of the changes since the 2009 valuation is shown in the Gain and Loss Exhibit 13, Section 6 of this report.

The following chart summarizes how these and various other factors affected the overall funding of SBCERS and the Employer Contribution Rate, as compared to the last valuation.

Sources of Change	Employer Contribution Rate	Funded Ratio
June 30, 2009 Actuarial Valuation	28.88%	75.3%
Change due to new assumptions	6.75%	-4.4%
Expected Year-to-Year Change	0.80%	0.1%
Expected June 30, 2010 Actuarial Valuation	36.43%	71.0%
Asset Gain/Loss	-2.22%	3.2%
Salary / Payroll Variation	-0.20%	0.3%
CPI Less than Expected	-0.38%	0.5%
New Entrants	0.03%	0.0%
Retirement from Active Status Experience	0.50%	-0.7%
Retirement due to Early Retirement Incentive Program	0.19%	-0.3%
Retirement from Deferred Status Experience	0.02%	0.0%
Retired Mortality Experience	0.15%	-0.2%
All Other Experience	-0.04%	-0.1%
Total Experience	-1.95%	2.7%
Actual June 30, 2010 Actuarial Valuation	34.48%	73.7%

Benefit Provision Changes

To our knowledge, there have been no changes to the benefit plan provisions since our previous valuation.

Member Contribution Rates

The changes in the assumptions for wage increases, investment returns and retiree mortality all have an impact on the member contribution rates. Therefore, there have been changes recommended in the member contribution rates since our prior valuation. Member rates for all tiers are discussed in Section 5 and are shown in detail in Appendix D.

The aggregate member contribution rate has changed from 4.22% to 4.54% of payroll since our prior valuation.

Funding Progress

Based on Milliman's Investigation of Experience, the expected UAAL as of June 30, 2010 was \$759.5 million. The actual UAAL for the fiscal year ending June 30, 2010 is \$688.9 million. There were several factors that had an impact on the UAAL, both individually and in total. These factors are shown in detail at the end of Section 6, Exhibit 13. The major change for this valuation was the positive investment experience since the prior valuation.

One measure of the funding adequacy of the system is the Funded Ratio, which compares the value of the Valuation Assets to the AAL, for all SBCERS tiers combined. SBCERS' Funded Ratio increased rapidly in the last half of the 1990's, reaching almost 100% in 2000. However, due primarily to asset losses early in this decade and again in 2008 and 2009, the Funded Ratio has decreased since then.

Currently, the Funded Ratio is 73.7%; that is, the Valuation Assets of \$1,927.2 million are 26.3% less than the AAL of \$2,616.1 million.

(all dollar amounts in millions)

Valuation Year	Market Value of Assets	Actuarial Value of Assets	Valuation Assets	Non Valuation Assets	Actuarial Accrued Liability	Funding Ratio
2004	\$ 1,347	\$ 1,379	\$ 1,242	\$ 137	\$ 1,579	87.4%
2005	\$ 1,476	\$ 1,444	\$ 1,306	\$ 138	\$ 1,688	85.6%
2006	\$ 1,629	\$ 1,553	\$ 1,415	\$ 138	\$ 1,810	85.8%
2007	\$ 1,900	\$ 1,735	\$ 1,704	\$ 31	\$ 1,957	87.1%
2008	\$ 1,763	\$ 1,894	\$ 1,891	\$ 3	\$ 2,136	88.6%
2009	\$ 1,421	\$ 1,706	\$ 1,706	\$ -	\$ 2,264	75.3%
2010	\$ 1,609	\$ 1,927	\$ 1,927	\$ -	\$ 2,616	73.7%

Prior to 2007, Actuarial Accrued Liability (AAL) was the sum of actuarial accrued liability calculated for the valuation and the non-valuation assets.

Prior to 2007, Funded Ratio is measured against Actuarial Value of Assets (AVA), which includes Non-Valuation Assets.

Effective in 2007, Funded Ratio is measured against Valuation Assets.

Effective in 2007, the Special Allowance Reserve was added to the Valuation Reserves. Liabilities also include Special Allowances.

Assets

For the fiscal year ending June 30, 2010, we estimate that SBCERS earned 13.43%, net of expenses, on its Market Value of Assets. Note that our return figure may be slightly different than that shown in the 2010 CAFR due to timing of contributions and benefit payments, as well as the treatment of expenses.

As mentioned above, SBCERS uses an asset-smoothing method in the determination of the AVA used in the calculation of the UAAL contribution rate. Under this method, the Market Value returns are smoothed over a five-year period. After that, it has been SBCERS practice to apply an asset corridor limit on the AVA, such that the AVA stays within 20% of the MVA. At the time of this valuation, the smoothed value of assets is approximately 119.7% of the MVA. Because of this, the corridor no longer applies to the AVA.

After applying the asset-smoothing method and applying the asset corridor to the previous valuation results, the rate of return on the AVA was 13.16% since last year, lower than the market rate of return due to asset smoothing, but higher than the assumed rate of 8.16%.

Because \$317.8 million in asset losses are being deferred as of the valuation date, it is likely that there will be decreases in the funded ratio and increases in the employer contribution rates in future years.

At its September 19, 2008 meeting, the Board directed a new classification of assets effective June 30, 2007. As a result of that classification, the Health Coverage Reserve was eliminated. The \$93.5 million that had been in the Health Coverage Reserve was allocated into two new reserves.

One of those new reserves was the 2007-2008 Health Benefit Reserve of \$9.4 million, created to pay the \$15 Health Benefits from July 2007 through September 2008 and the \$4 Supplemental Benefits from July 2007 through December 2008. The remaining \$84.1 million was allocated to the Transferred Funds reserve and included with Valuation Assets.

As of June 30, 2010, the Transferred Funds reserve was \$106.5 million. At its September 24, 2008 meeting, the Board directed that the Transferred Funds reserve be treated as a sub-account of the Retired Member reserve.

Note that the Health Benefits are reported in the SBCERS GASB 43 actuarial valuation of Post Employment Benefits Other than Pensions.

Non-Valuation Assets

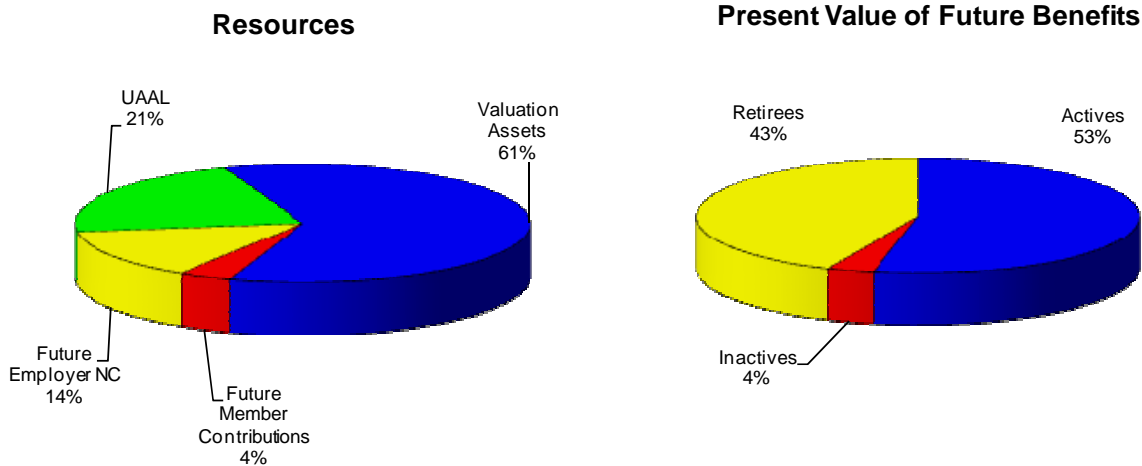
As of June 30, 2010, the entire AVA is included for valuation purposes. In valuations prior to 2009, certain non-valuation assets were excluded from the Valuation Assets.

We have based our understanding of the purposes of the various reserves on information provided to us by the Board and staff.

Actuarial Balance Sheet

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

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



Member Information

The number of active members included in the valuation decreased by 239 (or 5.4%) between 2009 and 2010.

Retired member counts and average retirement benefit amounts continue to increase steadily. For 2010, there were 3,318 retired members and beneficiaries with an average benefit of \$2,637 per month. This represents a 6.4% increase in count and a 6.9% increase in the average monthly benefit.

Summary Valuation Results

The following Exhibits present a summary of key data elements on June 30, 2010 and June 30, 2009, and how they changed over the past year. More detail on each of these elements can be found in the following Sections and Exhibits of this report.

Santa Barbara County Employees' Retirement System

Exhibit 1: Summary of Significant Valuation Results

	June 30, 2010	June 30, 2009	Relative Change
I. Total Membership			
A. Active Members	4,228	4,467	(5.4)%
B. Retired Members & Beneficiaries	3,318	3,117	6.4%
C. Vested Terminated Members	902	906	(0.4)%
D. Terminated Members (with Contributions)	279	248	12.5%
E. Total	8,727	8,738	(0.1)%
II. Annualized Payroll as of the Valuation Date			
A. Annual Total (\$thousands)	\$ 306,963	\$ 306,524	0.1%
B. Monthly Average	\$ 6,050	\$ 5,718	5.8%
III. Average Monthly Benefit to Current Retirees and Beneficiaries	\$ 2,637	\$ 2,467	6.9%
IV. Actuarial Accrued Liability (\$thousands)			
A. Active Members	\$ 1,132,419	\$ 1,026,647	10.3%
B. Retired Members	\$ 1,375,289	\$ 1,131,188	21.6%
C. Vested Terminated Members	\$ 108,439	\$ 106,027	2.3%
D. Total	\$ 2,616,147	\$ 2,263,862	15.6%
V. Assets (\$thousands)			
A. Market Value of Fund	\$ 1,609,449	\$ 1,421,519	13.2%
B. Market Value of Valuation Reserves	\$ 1,609,449	\$ 1,421,519	13.2%
C. Valuation Assets	\$ 1,927,229	1,705,733	13.0%
VI. Funded Ratios			
A. Market Value of Assets Basis (V.B. / IV.)	61.5%	62.8%	(2.0)%
B. Valuation Assets Basis (V.C. / IV.)	73.7%	75.3%	(2.2)%
VII. Unfunded Actuarial Accrued Liability or Surplus Funding (\$thousands)	\$ 688,918	\$ 558,129	23.4%
VIII. Required Employer contribution rate for all tiers combined as a percent of total payroll			
A. Gross Normal Cost	21.12%	18.43%	14.6%
B. Member Contributions	(4.54)%	(4.22)%	7.6%
C. Employer Normal Cost	16.58%	14.21%	16.7%
D. UAAL Amortization	17.90%	14.67%	22.0%
E. Total Employer Rate	34.48%	28.88%	19.4%

Santa Barbara County Employees' Retirement System

Exhibit 2: Summary of Valuation Results

	06/30/2009 General	06/30/2010 General	Percent Change	06/30/2009 Safety	06/30/2010 Safety	Percent Change	06/30/2009 APCD	06/30/2010 APCD	Percent Change	06/30/2009 Total	06/30/2010 Total	Percent Change
Actives	3,450	3,261	-5.5%	967	921	-4.8%	50	46	-8.0%	4,467	4,228	-5.4%
Inactives *	949	974	2.6%	191	192	0.5%	14	15	7.1%	1,154	1,181	2.3%
Retirees	2,425	2,548	5.1%	669	742	10.9%	23	28	21.7%	3,117	3,318	6.4%
Totals	6,824	6,783	-0.6%	1,827	1,855	1.5%	87	89	2.3%	8,738	8,727	-0.1%
Active Payroll **	223,239,074	223,636,643	0.2%	79,330,451	79,611,070	0.4%	3,954,592	3,715,513	-6.0%	306,524,117	306,963,226	0.1%
Average	64,707	68,579	6.0%	82,038	86,440	5.4%	79,092	80,772	2.1%	68,620	72,602	5.8%
Retiree Benefits	55,279,752	63,146,124	14.2%	36,290,484	40,964,544	12.9%	705,084	868,116	23.1%	92,275,320	104,978,784	13.8%
Average	22,796	24,783	8.7%	54,246	55,208	1.8%	30,656	31,004	1.1%	29,604	31,639	6.9%
Valuation Assets	990,027,615	1,128,896,050	14.0%	692,960,780	772,276,213	11.4%	22,744,625	26,056,912	14.6%	1,705,733,020	1,927,229,175	13.0%
Market Value of Assets	825,023,012	942,752,581	14.3%	577,467,317	644,935,725	11.7%	18,953,854	21,760,392	14.8%	1,421,444,183	1,609,448,698	13.2%
Actuarial Accrued Liability	1,362,168,269	1,580,178,198	16.0%	870,833,441	1,001,336,747	15.0%	30,860,609	34,631,911	12.2%	2,263,862,319	2,616,146,856	15.6%
Unfunded Actuarial Accrued Liability	372,140,654	451,282,148	21.3%	177,872,661	229,060,534	28.8%	8,115,984	8,574,999	5.7%	558,129,299	688,917,681	23.4%
<u>Retirement Contribution Rates</u>												
Employer Normal Cost	11.87%	13.85%	16.7%	20.87%	24.33%	16.6%	13.33%	14.76%	10.7%	14.21%	16.58%	16.7%
Unfunded Actuarial Accrued Liability	13.44%	16.09%	19.7%	18.07%	22.95%	27.0%	16.54%	18.41%	11.3%	14.67%	17.90%	22.0%
Total	25.31%	29.94%	18.3%	38.94%	47.28%	21.4%	29.87%	33.17%	11.0%	28.88%	34.48%	19.4%
<u>Funded Ratios</u>												
Valuation Assets	72.7%	71.4%	-1.7%	79.6%	77.1%	-3.1%	73.7%	75.2%	2.1%	75.3%	73.7%	-2.2%
Market Value of Assets	60.6%	59.7%	-1.5%	66.3%	64.4%	-2.9%	61.4%	62.8%	2.3%	62.8%	61.5%	-2.0%

* June 30, 2010 numbers include 279 terminated members with a pending refund of contributions as of June 30, 2010. The June 30, 2009 numbers include 248 such members.

** Active payroll excludes pay for Safety members over 65 and General members over age 75. These members are assumed to retire at the valuation date.



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Santa Barbara County Employees' Retirement System

Section 2: Scope of the Report



This report presents the actuarial valuation of the Santa Barbara County Employees' Retirement System as of June 30, 2010. This valuation was requested by the Board. Section 31453 of the County Employees Retirement Law of 1937 (the 37 Act) requires an actuarial valuation to be performed at least every three years for the purposes of setting contribution rates.

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

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of SBCERS. The assets and investment income are presented in Exhibits 3-5. Exhibits 6-8 develop the Actuarial Value of Assets as of June 30, 2010.

In Section 4, we describe the benefit obligations of SBCERS. Exhibit 9 is the Actuarial Balance Sheet. Additional analysis on the change in UAAL is also provided in this section.

In Section 5, we present the methodology for determining the Member contribution rates.

In Section 6, we develop the calculations for the Employer contributions needed to fund the benefits under the actuarial cost method in use.

In Section 7, we disclose the information required under Statement No. 25 of the Governmental Accounting Standards Board (GASB).

This report includes several appendices:

- Appendix A A summary of the actuarial procedures, and assumptions used to estimate liabilities and contributions.
- Appendix B A summary of the current benefit structure, as determined by the provisions of governing law on June 30, 2010.
- Appendix C Schedules of valuation data classified by various categories of members by class, plan and tier.
- Appendix D Member contribution rates by class, plan and tier.
- Appendix E A glossary of actuarial terms used in this report.

Santa Barbara County Employees' Retirement System

Section 3: Assets



In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date which, for this valuation, is June 30, 2010. On that date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are generally well in excess of the actuarial assets. The purpose of the valuation is to determine what future contributions by the members and County are needed to pay all expected future benefits.

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

A historical summary of the SBCERS' assets is presented below:

All dollar amounts in millions

Valuation Date	Market Value of Total Assets	Actuarial Value	
		Total Assets	Valuation Assets
2004	\$ 1,347	\$ 1,379	\$ 1,242
2005	1,476	1,444	1,306
2006	1,629	1,553	1,415
2007	1,900	1,735	1,704
2008	1,763	1,894	1,891
2009	1,421	1,706	1,706
2010	1,609	1,927	1,927

On June 30, 2010, the total Market Value of Assets (MVA) was about \$1.609 billion. The Actuarial Value of Assets (AVA), which are equal to Valuation Assets as of June 30, 2010, was determined to be \$1.927 billion, equal to 119.7% of the Market Value of Assets.

Financial Exhibits

Exhibit 3 is the Statement of Plan Net Assets and Exhibit 4 is the Statement of Changes in Plan Net Assets. Exhibit 5 displays the allocation of SBCERS' assets by the various reserve values determined for accounting purposes.

Exhibits 3 and 4 and the data for Exhibit 5 are taken directly from data furnished to us by SBCERS for its annual financial report. We have accepted these tables for use in this report without audit, but we have reviewed them for reasonableness and consistency with previous reports.

Actuarial Asset Method

Under the actuarial asset method used by SBCERS, we compute the expected MVA based on the prior year's MVA, the actual cash flow of contributions and benefit payments, and the assumed investment rate of return.

The assumed rate of return through June 30, 2010 is 8.16%, net of all expenses. After June 30, 2010, the assumed rate of return will be 7.75%.

The difference between the actual Market Value and the computed expected Market Value is smoothed, or recognized over a five-year period. When a loss (or gain) occurs, 20% of that amount is recognized each year until it is fully recognized in the fifth year.

To prevent the AVA from deviating too much from the MVA, it has been SBCERS practice to apply an asset corridor limit on the AVA, such that the AVA stays within 20% of the MVA. After the smoothed value of assets is calculated, the smoothed value is compared to 80% of MVA and 120% of MVA. If the smoothed value is within that range, the smoothed value is used. If the smoothed value is higher than 120% of MVA, then the AVA is set equal to 120% of MVA. Similarly, if the smoothed value is lower than 80% of MVA, the AVA is set equal to 80% of MVA.

At the time of this valuation, the smoothed value of assets is 119.7% of the MVA. Because of this, the corridor no longer applies to the AVA.

Actuarial Value of Assets

The development of the June 30, 2010 AVA is shown in Exhibit 6. As of that date, the Actuarial Value of Assets is 119.7% of the Market Value of Assets. At the time of the last valuation, the corridor applied and thus, the AVA was 120% of MVA. There are \$317.8 million of deferred investment return losses yet to be recognized.

Valuation Assets and Non-Valuation Assets

Valuation Assets are the AVA, less the value of any reserves which have been set aside for current liabilities and special benefits that are to be funded outside of the actuarially determined contribution rates. As of June 30, 2010, the entire AVA is included for valuation purposes. In valuations prior to 2009, certain non-valuation assets were excluded from the Valuation Assets.

Allocation of Assets

Valuation Assets are allocated by classification (General, Safety and APCD) as shown in Exhibit 8. This is because UAAL contribution rates are determined separately by class.

The Normal Cost employer contribution rate is determined separately for each tier of each class.

The Member Deposit Reserve, County and District Advance Reserve, Retired Member Reserve, and Transferred Funds Reserve were all separated by classification by SBCERS.

At its September 24, 2008 meeting, the Board decided to classify the Transferred Funds Reserve as a sub-account of the Retired Member Reserve.

Please see Exhibit 8 for a detailed summary of the allocation of assets across classes.

Santa Barbara County Employees' Retirement System

Exhibit 3: Statement of Plan Net Assets For the Years Ended June 30, 2009 and 2010

	2010	2009
Assets		
Cash and Deposits	\$ 21,483,873	\$ 11,632,923
Receivables		
Contributions	3,983,960	3,272,529
Security Sales Pending	46,507,251	103,481,151
Dividends	1,308,354	1,093,149
Accrued Interest	3,912,942	4,525,452
Other Receivables	123,565	91,314
Total Receivables	\$ 55,836,072	\$ 112,463,595
Investments at Fair Value		
Short Term Investments	51,142,189	43,494,167
Alternative Equity	55,168,188	36,708,253
Domestic Fixed Income Securities	415,198,303	375,970,642
Domestic Equities	585,091,702	542,060,779
International Equities	305,747,082	281,406,268
International Fixed Income Securities	106,185,345	81,776,521
Real Estate	67,295,389	64,834,896
Total Investments	\$ 1,585,828,198	\$ 1,426,251,526
Collateral Held for Securities Lent	71,502,381	105,353,402
Total Assets	\$ 1,734,650,524	\$ 1,655,701,446
Liabilities		
Payables		
Collateral Held for Securities Lent	71,502,381	105,353,402
Securities Purchases Pending	46,411,500	121,475,768
Benefits Payable	6,907,423	7,061,794
Accounts Payable	380,522	291,300
Total Liabilities	125,201,826	234,182,264
Net Assets Held in Trust for Pension Benefits	\$ 1,609,448,698	\$ 1,421,519,182

Santa Barbara County Employees' Retirement System

Exhibit 4: Statement of Changes in Plan Net Assets For the Years Ended June 30, 2009 and 2010

	June 30, 2010	June 30, 2009
Additions		
Contributions		
Employer	\$ 84,647,133	\$ 75,902,140
Member	11,648,994	11,083,461
Total Contributions	96,296,127	86,985,601
Investment Income		
Net Appreciation in Fair Value of Investments	162,597,693	(371,374,336)
Interest	21,392,480	25,979,256
Dividends	14,356,470	15,979,425
Total Investment Income	198,346,643	(329,415,655)
Less investment expense	(4,390,414)	(4,754,340)
Net Investment Income	193,956,229	(334,169,995)
Securities Lending Income	398,599	949,462
Securities Lending Expense	228,249	(566,725)
Net Securities Income	626,848	382,737
Other Income	228,879	63,736
Total Other Income	228,879	63,736
TOTAL ADDITIONS	\$ 291,108,083	\$ (246,737,921)
Deductions		
Benefits Paid - Includes Pension, Death, and Health Benefits*	\$ 97,813,216	\$ 89,180,779
Member Withdrawals	1,319,448	1,609,893
Administrative Expenses	4,045,904	3,900,782
TOTAL DEDUCTIONS	\$ 103,178,568	\$ 94,691,454
NET INCREASE	\$ 187,929,515	\$ (341,429,375)
Assets Held in Trust - Beginning of Year	\$ 1,421,519,182	\$ 1,762,948,557
Assets Held in Trust - End of Year	\$ 1,609,448,697	\$ 1,421,519,182

* Includes pensions and death benefits. It also includes health benefits paid prior to the establishment of the 401(h) account.

Santa Barbara County Employees' Retirement System

Exhibit 5: Allocation of Assets by Accounting Reserve Amounts For the Years Ended June 30, 2009 and 2010

	2010	2009
1. Member Deposit Reserve	\$ 162,431,794	\$ 174,951,218
2. County and District Advance Reserve	542,735,967	574,314,844
3. Retired Member Reserve	1,361,616,490	1,164,480,350
4. Transferred Funds Reserve *	106,451,816	98,420,688
	<u>\$ 2,173,236,067</u>	<u>\$ 2,012,167,100</u>
5. Market Stabilization Account	<u>(563,787,369)</u>	<u>(590,647,917)</u>
Total Reserves	<u>\$ 1,609,448,698</u>	<u>\$ 1,421,519,183</u>

* Established as a valuation asset reserve effective June 30, 2007.

Santa Barbara County Employees' Retirement System

Exhibit 6: Five-Year Smoothing of Gains and Losses on Market Value

Plan Year Ending	Contributions	Benefits*	Expected Investment Return	Actual Investment Return	Earnings Gain or (Loss)	Deferred Portion of Gain/Loss	Deferred Investment Return	Expected Market Value	Actual Market Value
6/30/2007	79,248,435	78,730,066	132,943,731	270,984,635	138,040,904	20%	27,608,181	1,762,420,390	1,900,461,294
6/30/2008	84,940,244	86,228,890	155,026,096	(136,224,090)	(291,250,186)	40%	(116,500,074)	2,054,198,744	1,762,948,558
6/30/2009	86,985,601	90,790,672	143,701,399	(337,624,304)	(481,325,703)	60%	(288,795,422)	1,902,844,886	1,421,519,183
6/30/2010	96,296,127	99,132,664	115,882,504	190,766,052	74,883,548	80%	<u>59,906,838</u>	1,534,565,150	1,609,448,698
1. Total							\$ (317,780,477)		
2. Market Value of Assets as of June 30, 2010							\$ 1,609,448,698		
3. Preliminary Actuarial Value of Assets as of June 30, 2010 = (2) - (1)							\$ 1,927,229,175		
4. Corridor Limit									
a. 80% of Net Market Value							1,287,558,958		
b. 120% of Net Market Value							1,931,338,438		
5. Actuarial Value of Assets After Corridor as of June 30, 2010							\$ 1,927,229,175		
6. Special Reserves (Non-valuation reserves)							\$ -		
7. Valuation Assets as of June 30, 2010 = (5) - (6)							<u>\$ 1,927,229,175</u>		

* Includes pensions, death benefits, and member withdrawals. It also includes health benefits paid prior to the establishment of the 401(h) account.



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Santa Barbara County Employees' Retirement System

Exhibit 7a: Development of Valuation Assets

	<u>Valuation Assets</u>	<u>Actuarial Assets</u>	<u>Market Value of Assets</u>
1. Total June 30, 2009 Valuation	\$ 1,705,733,020	\$ 1,705,733,020	\$ 1,421,519,183
2. Changes During the Year			
Member Contributions	11,648,994	11,648,994	11,648,994
Employer Contributions	84,647,133	84,647,133	84,647,133
Benefit Payments	(99,132,664)	(99,132,664)	(99,132,664)
Investment Return, Net of Expenses	224,332,692	224,332,692	190,766,052
Total Changes	<u>\$ 221,496,155</u>	<u>\$ 221,496,155</u>	<u>\$ 187,929,515</u>
3. Total June 30, 2010 Valuation = 1 + 2	\$ 1,927,229,175	\$ 1,927,229,175	\$ 1,609,448,698
4. Expected Value as of June 30, 2009	\$ 1,841,970,836	\$ 1,841,970,836	\$ 1,534,565,150
5. Gain / (Loss) = (3) - (4)	85,258,339	85,258,339	74,883,548
6. Rate of Return	13.16%	13.16%	13.43%



Santa Barbara County Employees' Retirement System

Exhibit 7b: Net Return on Assets vs. Increase in Consumer Price Index

Year Ended June 30	Net Return at Market Value	Net Return at Actuarial Value	Increase in Consumer Price Index*
1988	1.9%		4.0%
1989	17.6%		5.2%
1990	10.8%		4.7%
1991	9.7%		4.7%
1992	18.5%		3.1%
1993	13.2%		3.0%
1994	-0.7%		2.5%
1995	17.7%		3.0%
1996	15.6%		2.8%
1997	19.9%		2.3%
1998	18.9%		1.7%
1999	10.5%		2.0%
2000	6.4%		3.7%
2001	-4.3%		3.2%
2002	-5.4%		1.1%
2003	4.6%		2.1%
2004	15.7%	2.9%	3.3%
2005	9.9%	5.0%	2.5%
2006	10.6%	7.8%	4.3%
2007	16.6%	11.7%	2.7%
2008	-7.2%	9.2%	5.0%
2009	-19.2%	-9.6%	-1.4%
2010	13.4%	13.2%	1.1%
23-Year Compound Average	8.0%		2.9%

* Based on All Urban Consumers - U.S. City Average, June indices.

Santa Barbara County Employees' Retirement System

**Exhibit 8: Allocation of Valuation Assets
For the Year Ended June 30, 2010**
(Dollars in Thousands)

	General	Safety	APCD	Total
1. Member Deposit Reserve	\$ 129,767	\$ 30,759	\$ 1,906	\$ 162,432
2. County and District Advance Reserve	346,177	184,617	11,942	542,736
3. Retired Member Reserve	741,995	605,203	14,418	1,361,616
4. Transferred Funds Reserve *	55,057	50,277	1,118	106,452
<hr/>				
5. Total Valuation Reserves (1 + 2 + 3 + 4)	\$ 1,272,996	\$ 870,856	\$ 29,384	\$ 2,173,236
<hr/>				
6. Percentage of Line 5. by Plan	58.58%	40.07%	1.35%	100.00%
7. Actuarial Value of Valuation Assets (Exhibit 6)			\$	1,927,229
8. Allocated Valuation Assets (6 x 7)	<u>\$ 1,128,896</u>	<u>\$ 772,276</u>	<u>\$ 26,057</u>	<u>\$ 1,927,229</u>

* The Transferred Funds Reserve is a sub-account of Retired Member Reserves.



Santa Barbara County Employees' Retirement System

Section 4: Actuarial Liabilities



In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of SBCERS' assets as of the valuation date, June 30, 2010. In this section, the discussion will focus on the commitments of SBCERS for retirement benefits, which are referred to as its actuarial liabilities.

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

Actuarial Balance Sheet – Liabilities

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

Exhibit 9 contains an analysis of the actuarial present value of all future benefits for inactive members, (both retired and deferred vested members), and active members. The analysis is given by class of membership and by type of benefit.

The actuarial liabilities include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and inactive, the value extends over the rest of their lives and for the lives of any surviving beneficiaries. All pension valuation liabilities reflect the benefits effective through June 30, 2010.

The actuarial assumptions used to determine the liabilities are based on the results of our analysis of experience as of June 30, 2010 and were adopted by the Board in October 2010. These assumptions are summarized in Appendix A.

Santa Barbara County Employees' Retirement System

Exhibit 9: Actuarial Balance Sheet – June 30, 2010
(Dollars in Thousands)

Resources				
	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>Total</u>
Valuation Assets (Actuarial)	\$ 1,128,896	\$ 772,276	\$ 26,057	\$ 1,927,229
Present Value of Future Member Contributions	77,992	39,907	1,568	119,467
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	262,132	172,753	3,813	438,698
b) Unfunded Actuarial Accrued Liability	451,282	229,061	8,575	688,918
Total Resources	\$ 1,920,302	\$ 1,213,997	\$ 40,013	\$ 3,174,312

Liabilities				
	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>Total</u>
Present Value of Future Benefits				
1. Present Retired Members	\$ 791,462	\$ 571,023	\$ 12,804	\$ 1,375,289
2. Current Inactive Members	78,522	28,121	1,796	108,439
3. Current Active Members				
- Service Retirement	964,330	560,132	23,612	1,548,074
- Disability Retirement	34,495	30,917	726	66,138
- Death Benefits	15,799	5,863	629	22,291
- Deferred Vested Benefit	31,829	17,564	383	49,776
- Refund of Member Contributions	<u>3,865</u>	<u>377</u>	<u>63</u>	<u>4,305</u>
- Total Active	\$ 1,050,318	\$ 614,853	\$ 25,413	\$ 1,690,584
Total Actuarial Liabilities	\$ 1,920,302	\$ 1,213,997	\$ 40,013	\$ 3,174,312

Actuarial Balance Sheet – Resources

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

- (a) assets currently available to pay benefits and considered for funding purposes (the Valuation Assets),
- (b) the present value of future contributions expected to be made by current active Members, and
- (c) the present value of future contributions expected to be made by the Employers.

Actuarial Cost Method

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

- A Normal Cost amount; and
- Whatever amount is left over, which is used to amortize what is called the Unfunded Actuarial Accrued Liability (UAAL).

Normal Cost

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

The Normal Cost is the theoretical contribution rate that will meet the ongoing costs of a group of average new employees. Under the entry age actuarial cost method, the Normal Cost contribution rate maintains the funding of benefits as a level percentage of pay.

Suppose that a group of new employees was covered under a separate fund from which all benefits and to which all contributions and associated investment returns were paid. If experience follows the actuarial assumptions precisely and if the employers contributed the Normal Cost, the fund would be completely liquidated when the last payment to the last survivor of the group was made.

By applying the Normal Cost contribution rate to the present value of salaries expected to be paid in the future, we determine the present value of future Normal Cost contributions. Future contributions are expected to be made by both the Members and the Employers.

Normal Cost (continued)

The member contribution rates are determined based upon requirements established in bargaining agreements between the employers and employees and the actuarial assumptions. Based on these member contribution rates, we determine the present value of future member contributions. We subtract that value from the total future Normal Cost contributions expected, based on the entry age cost method. The remaining difference is the Employer's portion of the future Normal Cost contributions.

In Exhibit 10, we report the Total Normal Cost Contribution Rate for each class in total and then reduce the total by the members' average contribution rates to develop the Employer's Net Normal Cost Contribution Rate as of June 30, 2010. Exhibits 10a, 10b and 10c provide similar information regarding the normal cost rates, but they give the information by each tier within each plan, one exhibit for each class.

Note that the normal cost rates for Safety Plan 6A are actually lower than the rates for Safety Plan 6B. This is the case despite the fact that the only difference in benefits between the plans is that Safety Plan 6A uses the member's highest 12 months of compensation and Safety Plan 6B uses the member's highest 36 months of compensation. The reason for this is demographic differences between the two plans. The average entry age for Safety Plan 6B is significantly higher than the average entry age for Safety Plan 6A and that causes the normal cost rate to be higher for Safety Plan 6B.

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**Exhibit 10: Calculated Employer Normal Cost Contribution Rates – June 30, 2010
All Members**

	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>All Plans</u>
A. Normal Cost Contribution Rate				
Service Retirement	14.88%	24.58%	15.92%	17.41%
Disability Retirement	0.82%	2.54%	0.93%	1.27%
Death while Active	0.32%	0.42%	0.94%	0.35%
Termination (No Refund)	1.48%	2.23%	1.91%	1.68%
Refund of Member Contributions	0.47%	0.22%	0.62%	0.41%
Total	17.97%	29.99%	20.32%	21.12%
B. Member Contributions	(4.12)%	(5.66)%	(5.56)%	(4.54)%
C. Net Employer Normal Cost as of June 30, 2010 (A) + (B)	13.85%	24.33%	14.76%	16.58%
D. Net Employer Normal Cost as of June 30, 2009	11.87%	20.87%	13.33%	14.21%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	1.98%	3.46%	1.43%	2.37%

**Santa Barbara County Employees'
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**Exhibit 10a: Calculated Employer Normal Cost Contribution Rates – June 30, 2010
General Members**

	General - County				
	<u>5A</u>	<u>5B</u>	<u>5C</u>	<u>Plan 2</u>	<u>Total</u>
A. Normal Cost Contribution Rate					
Service Retirement	13.43%	17.24%	14.90%	2.31%	14.88%
Disability Retirement	0.72%	0.98%	0.82%	0.12%	0.82%
Death while Active	0.33%	0.36%	0.30%	0.03%	0.32%
Termination (No Refund)	1.77%	1.26%	1.41%	0.38%	1.48%
Refund of Member Contributions	0.37%	0.84%	0.38%	0.00%	0.47%
Total	16.62%	20.68%	17.81%	2.84%	17.97%
B. Member Contributions	(3.23)%	(7.50)%	(3.36)%	0.00%	(4.12)%
C. Net Employer Normal Cost as of June 30, 2010 (A) + (B)	13.39%	13.18%	14.45%	2.84%	13.85%
D. Net Employer Normal Cost as of June 30, 2009	11.49%	11.46%	12.38%	2.26%	11.87%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	1.90%	1.72%	2.07%	0.58%	1.98%

Santa Barbara County Employees' Retirement System

Exhibit 10b: Calculated Employer Normal Cost Contribution Rates – June 30, 2010 Safety Members

	Safety					
	<u>4A</u>	<u>4B</u>	<u>4C</u>	<u>6A</u>	<u>6B</u>	<u>Total</u>
A. Normal Cost Contribution Rate						
Service Retirement	24.15%	25.54%	23.13%	25.36%	25.74%	24.58%
Disability Retirement	2.77%	2.91%	2.60%	2.37%	2.46%	2.54%
Death while Active	0.48%	0.35%	0.42%	0.42%	0.41%	0.42%
Termination (No Refund)	1.99%	1.58%	1.90%	2.53%	2.54%	2.23%
Refund of Member Contributions	0.23%	0.50%	0.22%	0.21%	0.22%	0.22%
Total	29.62%	30.88%	28.27%	30.89%	31.37%	29.99%
B. Member Contributions	(5.81)%	(11.90)%	(5.54)%	(5.45)%	(5.48)%	(5.66)%
C. Net Employer Normal Cost as of June 30, 2010 (A) + (B)	23.81%	18.98%	22.73%	25.44%	25.89%	24.33%
D. Net Employer Normal Cost as of June 30, 2009	20.56%	14.28%	19.86%	21.44%	22.02%	20.87%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	3.25%	4.70%	2.87%	4.00%	3.87%	3.46%

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**Exhibit 10c: Calculated Employer Normal Cost Contribution Rates – June 30, 2010
APCD Members**

A. Normal Cost Contribution Rate	APCD		
	<u>Plan 1</u>	<u>Plan 2</u>	<u>Total</u>
Service Retirement	15.35%	16.82%	15.92%
Disability Retirement	0.90%	0.97%	0.93%
Death while Active	1.01%	0.82%	0.94%
Termination (No Refund)	2.09%	1.64%	1.91%
Refund of Member Contributions	0.45%	0.89%	0.62%
Total	19.80%	21.14%	20.32%
B. Member Contributions	(3.94)%	(8.09)%	(5.56)%
C. Net Employer Normal Cost as of June 30, 2010 (A) + (B)	15.86%	13.05%	14.76%
D. Net Employer Normal Cost as of June 30, 2009	13.85%	12.32%	13.33%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	2.01%	0.73%	1.43%

Actuarial Accrued Liability

The difference between the present value of all future obligations and the present value of the future Normal Cost contributions is referred to as the Actuarial Accrued Liability (AAL). The AAL is then compared to the Valuation Assets and the difference is referred to as the UAAL. The results for SBCERS for all classes are summarized in Exhibit 11.

Unfunded Actuarial Accrued Liability/ Surplus Funding

The portion allocated to service already rendered or accrued is called the AAL. The difference between the AAL and the Valuation Assets is called the Unfunded Actuarial Accrued Liability (UAAL). If a UAAL amount exists, it usually results from prior years' benefit or assumption changes and the net effect of accumulated gains and losses.

If the Employers have always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the present value of all future Normal Cost contributions would be sufficient to fund all benefits and there would be no UAAL.

Exhibit 11 shows how the UAAL, or Surplus Funding, was derived for each classification. In the Actuarial Balance sheet, the total AAL for all future benefits must be equal to the current and future assets.

Funding Adequacy

A key consideration in determining the adequacy of the funding of SBCERS is how the UAAL is being funded. If the UAAL amount is positive, that is, the AAL to be funded is greater than the Valuation Assets, then the UAAL is amortized. Under the current funding method, the UAAL is amortized over an open/rolling 17-year period.

Under an open/rolling amortization method, the entire UAAL is amortized over a constant period, in this case, 17 years. A 17-year amortization factor will be applied to the entire UAAL for each of the General, Safety, and APCD groups. The factor does not change from year to year unless the discount rate or salary scale assumption is changed. Because the discount rate and salary scale did change from the prior valuation due to the Investigation of Experience, the amortization factor has changed from the previous valuation.

The Board adopted this funding policy at its September 23, 2009 meeting. Exhibit 11a discloses the development of the UAAL payment for each classification.

Analysis of Change in UAAL

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

The 2010 actuarial valuation reflects an increase in the UAAL of \$130.8 million for the fiscal year just ended from \$558.1 million to \$688.9 million. See Exhibit 13 in Section 6 for a detailed breakdown of the change in UAAL.

The changes in assumptions pursuant to the Investigation of Experience resulted in a large increase in the UAAL. This loss was partially offset by the positive investment experience since our prior valuation.

Santa Barbara County Employees' Retirement System

Exhibit 11: Calculated UAAL Amount by Class – June 30, 2010 All Members

(Dollars in Millions)

	General	Safety	APCD	2010 All Plans	2009 All Plans	Percent Change
A. Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors	\$ 1,920.3	\$ 1,214.0	\$ 40.0	\$ 3,174.3	\$ 2,719.7	16.7%
B. Actuarial present value of total future Normal Costs for current members	340.1	212.7	5.4	558.2	455.9	22.4%
C. Actuarial Accrued Liability [A-B]	\$ 1,580.2	\$ 1,001.3	\$ 34.6	\$ 2,616.1	\$ 2,263.8	15.6%
D. Valuation Assets	1,128.9	772.2	26.1	1,927.2	1,705.7	13.0%
E. UAAL or Surplus Funding [C-D]	\$ 451.3	\$ 229.1	\$ 8.5	\$ 688.9	\$ 558.1	23.4%
F. Funded Ratio [D/C]	71.4%	77.1%	75.4%	73.7%	75.3%	(2.2)%



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**Santa Barbara County Employees'
Retirement System**

Exhibit 11a: UAAL Amortization Rates – June 30, 2010

	General	Safety	APCD	All Plans
A. Unfunded Actuarial Accrued Liability	\$ 451,282,148	\$ 229,060,534	\$ 8,574,999	\$ 688,917,681
B. 17-Year Amortization Factor	0.079757	0.079757	0.079757	0.079757
C. Beginning of Year Payment [AxB]	\$ 35,992,722	\$ 18,269,085	\$ 683,913	\$ 54,945,720
D. Beginning of Year Payroll	\$ 223,636,643	\$ 79,611,070	\$ 3,715,513	\$ 306,963,226
E. UAAL Amortization Rate [C/D]	16.09%	22.95%	18.41%	17.90%



Santa Barbara County Employees' Retirement System

Section 5: Member Contributions



For SBCERS, member contributions are of just one type: Basic contributions.

Basic contributions for each tier are defined in the following sections of the County Employees' Retirement Law:

Plan/Tier	Code Section	Member Contribution Provides Average Annuity of	FAS Period
General 5A	31621.5	1/200th of FAS* at age 60	1 year
General 5B	31621.2	1/100th of FAS* at age 60	1 year
General 5C	31621.5	1/200th of FAS* at age 60	3 years
General 2	NA	NA	3 years
APCD 1	31621.6 & 31581.1	1/2 x 1/100th of FAS* at age 55	1 year
APCD 2	31621.6	1/100th of FAS* at age 55	1 year
Safety 4A & 6A		1/2 x 3/200th of FAS* at age 55	1 year
Safety 4B		3/200th of FAS* at age 55	1 year
Safety 4C & 6B		1/2 x 3/200th of FAS* at age 55	3 years

**FAS is Final Average Salary. FAS Period is length of time for the average.*

Basic Contributions

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

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

Changes in the actuarial assumptions have occurred since the prior valuation. The expected rate of return on assets, the wage growth assumptions and the mortality assumptions have all been changed. The rates shown in Appendix D reflect member contribution rates, effective July 1, 2011.

Safety Member Contributions

Based on information provided by SBCERS, the Safety member contribution rates were established during negotiations in 2000. They do not directly correspond to a CERL Section. Contribution rates were not changed when Plans 6A and 6B were adopted.

Member Contribution Rates

Some members only pay one-half of the rate otherwise defined by the formulas shown above. The groups paying half rates are indicated in the table.

Full disclosure of the member rates can be found in Appendix D.

General Plan 2 members make no employee contributions.

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Santa Barbara County Employees' Retirement System

Section 6: Employer Contributions



Contributions to SBCERS are determined using the Entry Age Normal Cost Funding Method. The portion of the actuarial present value of retirement benefits allocated to a valuation year by the Actuarial Cost Method is called the Normal Cost. These amounts are usually expressed as a percentage of payroll and called the Normal Cost Contribution Rate. Exhibit 10 in Section 4 shows the aggregate Normal Cost by class and in total for all plans. Exhibits 10a, 10b and 10c in Section 4 illustrate the Normal Cost Rates by type of benefit and for each plan and tier based on this valuation.

It should be noted that when we use the term “Normal Cost Contribution rate,” we are referring to the value of benefits earned by active members allocated to the valuation year. The Net Employer Normal Cost is the portion of the annual benefit for which the employer is responsible. This is the Normal Cost Contribution rate less the contribution rate paid by the members.

Exhibit 12 shows the total employer contribution rates by class in total for all plans.

The total calculated employer contribution rates for each tier, along with a comparison to the prior year’s computed rates, can be found in Exhibits 12a, 12b and 12c. These results are expressed as a percentage of payroll and annual contribution dollars. Note that SBCERS’ UAAL is determined separately for each class. The System funds the UAAL evenly as a percentage of pay over salaries for all members within a class.

Calculated Contribution Rate

The total Employer contribution rate was 28.88% for the fiscal year beginning July 1, 2010. For the fiscal year beginning in 2011, the calculated rate based on this report increased to 34.48%. This is equal to the aggregate Net Normal Cost contribution rate of 16.58% plus the amortization payment of the UAAL as measured from the valuation date and reported in Exhibit 11a. The aggregate UAAL contribution rate is 17.90%.

Both the normal cost rates and the UAAL rates are broken into pieces for the “Basic” rate and the COLA rate. The Basic rate is for the benefits without cost-of-living adjustments.

For each class, the Basic UAAL Contribution rate was determined by multiplying the total UAAL rate by the portion of the total AAL attributable to basic benefits.

Changes in the Normal Cost Rate

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

- (1) **Experience:** Normal experience from year to year, reflecting differences in both the weighting between membership groups and in their characteristics, as well as on what was assumed to occur during the past fiscal year and what actually occurred, particularly with respect to salary increases and turnover experience.
- (2) **Changes in Benefit Provisions:** Plans 5C, 6A, and 6B have been added recently. Changes in the aggregate composition of the membership among the various plans will lead to experience gains and losses.
- (3) **Changes in Actuarial Assumptions:** There have been significant changes since the prior actuarial valuation due to the Investigation of Experience.
- (4) **Changes in Actuarial Methods:** The amortization period for the UAAL was changed from a 15-year layered approach to a 17-year open/rolling period, effective with the June 30, 2009 valuation. It has not changed since our prior valuation.

Changes in UAAL and UAAL Contribution Rates

Exhibit 13 shows the source of the major gains and losses for the System as a whole.

Changes have occurred since the 2009 valuation. The changes in assumptions based upon the Investigation of Experience resulted in significant increases in the UAAL contribution rate. These increases have been partially offset by the positive investment experience since the previous valuation.

Another change from the prior valuation was that the COLAs for some retirees and beneficiaries were less than the 3.0% we expected. The annual COLA that SBCERS retirees and beneficiaries are eligible to receive is based upon the change in the consumer price index. Our assumption is that all receive 3.0% increases each year. Because the CPI actually decreased over 2009, some members did not receive the full 3.0% increases in April 2010. For retirees and beneficiaries retired on or before April 1, 2006, the COLA banks were drawn down and the full 3.0% COLA was granted on April 1, 2010. For those retired after that date, the COLAs were less than 3.0%.

Another change from the prior valuation was the Early Retirement Incentive Program (ERIP). That program resulted in approximately \$7.3 million of additional liability.

Santa Barbara County Employees' Retirement System

**Exhibit 12: Total Employer Contributions
All Members**
(Dollars in Thousands)

	General	Safety	APCD	2010 All Plans
A. Basic Employer Normal Cost Rate	9.09%	15.37%	9.37%	10.72%
B. COLA Normal Cost Rate	4.76%	8.96%	5.39%	5.86%
C. Employer Normal Cost Rate	13.85%	24.33%	14.76%	16.58%
D. Basic UAAL Contribution Rate	10.95%	14.77%	13.07%	11.97%
E. COLA UAAL Contribution Rate	5.14%	8.18%	5.34%	5.93%
F. UAAL Contribution Rate	16.09%	22.95%	18.41%	17.90%
G. Total June 30, 2010 Contribution Rate (C + F)	29.94%	47.28%	33.17%	34.48%
H. Total June 30, 2009 Contribution Rate	25.31%	38.94%	29.87%	28.88%
I. Estimated Payroll for fiscal year beginning July 1, 2011 *	\$ 236,334	\$ 84,132	\$ 3,927	\$ 324,393
J. Estimated Annual Contribution (G x I) **	\$ 70,763	\$ 39,797	\$ 1,303	\$ 111,863
K. Prior Valuation Estimated Annual Contribution ***	\$ 57,734	\$ 31,567	\$ 1,128	\$ 90,429
L. Increase / (Decrease) in Annual Contribution	\$ 13,029	\$ 8,230	\$ 175	\$ 21,434

* Estimated payroll based upon the assumption of 3.75% annual payroll growth.

** Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.

***Estimated contribution for fiscal year beginning July 1, 2010 based on salary information as of June 30, 2010.

Santa Barbara County Employees' Retirement System

Exhibit 12a: Total Employer Contributions General Members (Dollars in Thousands)

	General				Total
	5A	5B	5C	Plan 2	
A. Basic Employer Normal Cost Rate	8.93%	7.82%	9.71%	2.84%	9.09%
B. COLA Normal Cost Rate	4.46%	5.36%	4.74%	0.00%	4.76%
C. Employer Normal Cost Rate	13.39%	13.18%	14.45%	2.84%	13.85%
D. Basic UAAL Contribution Rate	10.95%	10.95%	10.95%	10.95%	10.95%
E. COLA UAAL Contribution Rate	5.14%	5.14%	5.14%	5.14%	5.14%
F. UAAL Contribution Rate	16.09%	16.09%	16.09%	16.09%	16.09%
G. Total June 30, 2010 Contribution Rate (C + F)	29.48%	29.27%	30.54%	18.93%	29.94%
H. Total June 30, 2009 Contribution Rate	24.93%	24.90%	25.82%	15.70%	25.31%
I. Estimated Payroll for fiscal year beginning July 1, 2011 *	\$ 68,810	\$ 46,137	\$ 120,547	\$ 840	\$ 236,334
J. Estimated Annual Contribution (G x I) **	\$ 20,285	\$ 13,504	\$ 36,815	\$ 159	\$ 70,763
K. Prior Valuation Estimated Annual Contribution ***	\$ 16,534	\$ 11,073	\$ 30,000	\$ 127	\$ 57,734
L. Increase / (Decrease) in Annual Contribution	\$ 3,751	\$ 2,431	\$ 6,815	\$ 32	\$ 13,029

* Estimated payroll based upon the assumption of 3.75% annual payroll growth.

** Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.

*** Estimated contribution for fiscal year beginning July 1, 2010 based on salary information as of June 30, 2010.

Santa Barbara County Employees' Retirement System

Exhibit 12b: Total Employer Contributions Safety Members (Dollars in Thousands)

	Safety					
	4A	4B	4C	6A	6B	Total
A. Basic Employer Normal Cost Rate	15.18%	10.08%	14.50%	15.93%	16.29%	15.37%
B. COLA Normal Cost Rate	8.63%	8.90%	8.23%	9.51%	9.60%	8.96%
C. Employer Normal Cost Rate	23.81%	18.98%	22.73%	25.44%	25.89%	24.33%
D. Basic UAAL Contribution Rate	14.77%	14.77%	14.77%	14.77%	14.77%	14.77%
E. COLA UAAL Contribution Rate	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%
F. UAAL Contribution Rate	22.95%	22.95%	22.95%	22.95%	22.95%	22.95%
G. Total June 30, 2010 Contribution Rate (C + F)	46.76%	41.93%	45.68%	48.39%	48.84%	47.28%
H. Total June 30, 2009 Contribution Rate	38.63%	32.35%	37.93%	39.51%	40.09%	38.94%
I. Estimated Payroll for fiscal year beginning July 1, 2011 *	\$ 12,035	\$ 1,504	\$ 27,524	\$ 15,541	\$ 27,528	\$ 84,132
J. Estimated Annual Contribution (G x I) **	\$ 5,628	\$ 631	\$ 12,573	\$ 7,520	\$ 13,445	\$ 39,797
K. Prior Valuation Estimated Annual Contribution ***	\$ 4,481	\$ 469	\$ 10,062	\$ 5,918	\$ 10,637	\$ 31,567
L. Increase / (Decrease) in Annual Contribution	\$ 1,147	\$ 162	\$ 2,511	\$ 1,602	\$ 2,808	\$ 8,230

* Estimated payroll based upon the assumption of 3.75% annual payroll growth.

** Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.

*** Estimated contribution for fiscal year beginning July 1, 2010 based on salary information as of June 30, 2010.

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Exhibit 12c: Total Employer Contributions APCD Members (Dollars in Thousands)

	APCD		
	Plan 1	Plan 2	Total
A. Basic Employer Normal Cost Rate	10.54%	7.54%	9.37%
B. COLA Normal Cost Rate	5.32%	5.51%	5.39%
C. Employer Normal Cost Rate	15.86%	13.05%	14.76%
D. Basic UAAL Contribution Rate	13.07%	13.07%	13.07%
E. COLA UAAL Contribution Rate	5.34%	5.34%	5.34%
F. UAAL Contribution Rate	18.41%	18.41%	18.41%
G. Total June 30, 2010 Contribution Rate (C + F)	34.27%	31.46%	33.17%
H. Total June 30, 2009 Contribution Rate	30.39%	28.86%	29.87%
I. Estimated Payroll for fiscal year beginning July 1, 2011 *	\$ 2,396	\$ 1,531	\$ 3,927
J. Estimated Annual Contribution (G x I) **	\$ 821	\$ 482	\$ 1,303
K. Prior Valuation Estimated Annual Contribution ***	\$ 702	\$ 426	\$ 1,128
L. Increase / (Decrease) in Annual Contribution	\$ 119	\$ 56	\$ 175

* Estimated payroll based upon the assumption of 3.75% annual payroll growth.

** Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.

*** Estimated contribution for fiscal year beginning July 1, 2010 based on salary information as of June 30, 2010.

Santa Barbara County Employees' Retirement System

Exhibit 13: Analysis of Change in Unfunded Actuarial Accrued Liability (Dollars in Millions)

	Amount	As a Percent of June 30, 2010 Actuarial Accrued Liability	UAAL Contribution Rate % of Pay *
Unfunded Actuarial Accrued Liability - June 30, 2009	\$ 558.1	21.33%	14.67%
Increase in UAAL due to new assumptions	170.7	6.52%	4.29%
Unfunded Actuarial Accrued Liability - June 30, 2009 (Modified Valuation with new assumptions)	\$ 728.8	27.85%	18.96%
Interest Accrued	56.5	2.16%	1.47%
Benefits Accrued (Normal Cost)	74.2	2.84%	1.93%
Contributions (with Assumed Interest)			
Employer - Cash	(87.9)	-3.36%	-2.29%
Member	(12.1)	-0.46%	-0.31%
Total	(100.0)	-3.82%	-2.60%
Expected Unfunded Actuarial Accrued Liability - June 30, 2010	\$ 759.5	29.03%	19.76%
Source of Change			
Asset (Gains) and Losses	(85.3)	-3.26%	-2.22%
Actuarial (Gains) and Losses			
Salary Increases	(7.6)	-0.29%	-0.20%
CPI Less than Expected	(14.1)	-0.54%	-0.38%
New Entrants	1.1	0.04%	0.03%
Retirement from Active Status Experience	19.2	0.73%	0.50%
Retirement due to Early Retirement Incentive Program	7.3	0.28%	0.19%
Retirement from Deferred Status Experience	0.9	0.03%	0.02%
Retired Mortality Experience	5.9	0.23%	0.15%
All Other Experience	2.0	0.08%	0.05%
Total	14.7	0.56%	0.36%
Total Changes	(70.6)	-2.70%	-1.86%
Unfunded Actuarial Accrued Liability - June 30, 2010	\$ 688.9	26.33%	17.90%

* The June 30, 2009 Unfunded Actuarial Accrued Liability contribution rate, interest and benefits accrued, and contributions, as a percentage of pay is based on 2009 valuation pay. The June 30, 2010 Expected Unfunded Actuarial Accrued Liability as a percentage of pay is based on expected 2010 valuation pay. Otherwise, actual 2010 valuation pay is used to express the contribution rate as a percentage of pay.

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Santa Barbara County Employees' Retirement System

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



The Governmental Accounting Standards Board (GASB) sets standards for defined benefit pension plan reporting and disclosures (Statement No. 25). The reporting requirements for Statement No. 25 include certain supplementary information that must be added to the financial statements. These include:

- (1) A Schedule of Funding Progress
- (2) A Schedule of Employer Contributions

The Schedule of Funding Progress, Exhibit 14, compares actuarial assets and liabilities of SBCERS, based on the actuarial funding method used. The required Schedule of Employer Contributions, Exhibit 14, compares the employer contributions required based on the actuarial valuation (the actuarial required contribution, or ARC) with the employer contributions actually made. The ARC must be calculated based on certain parameters required for disclosure purposes.

We believe the actuarial methods and assumptions used in this valuation to determine the employer's contribution for funding purposes satisfy the GASB reporting requirements.

GASB Statement No. 27 specifies required reporting for pension accounting by state and local governmental employers.

The comparability of the data from year to year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, etc.

Exhibit 15 is the Schedule of Contributions from the Employer and compares the calculated Annual Required Contribution (ARC) to the actual employer contribution paid.

Exhibit 16 compares the Actuarial Value of Valuation Assets to the types of Actuarial Accrued Liabilities, applying them first to Active Member contributions, then to retirees and beneficiaries, and then the remaining amount to the Active Members benefits. This is referred to as the Solvency Test. Although not required under GASB, this test is part of the CAFR guidelines specified by the Government Finance Officers System (GFOA).

Santa Barbara County Employees' Retirement System

Exhibit 14: Schedule of Funding Progress (Dollars In Thousands)

Actuarial Valuation Date*	(a) Actuarial Value of Assets	(b) Non-Valuation Assets (NVA)	(c) Valuation Assets (a)-(b)	(d) Valuation Actuarial Accrued Liabilities (AAL)	(e) AAL with NVA (b)+(d)	(f) Unfunded Actuarial Accrued Liabilities (UAAL) (d)-(c) = (e)-(a)	(g) Prior Method Funded Ratio (a)/(e)	(h) Current Method Funded Ratio (c)/(d)	(i) Covered Payroll	UAAL as a Percentage of Covered Payroll (f)/(i)
June 30, 2005	1,443,824	137,829	1,305,995	1,549,803	1,687,632	243,808	85.6%	84.3%	267,785	91.0%
June 30, 2006	1,552,776	137,825	1,414,951	1,671,831	1,809,656	256,880	85.8%	84.6%	287,382	89.4%
June 30, 2007 **	1,735,489	31,020	1,704,469	1,956,834	1,987,854	252,365	87.3%	87.1%	294,163	85.8%
June 30, 2008	1,893,984	2,528	1,891,456	2,135,955	2,138,483	244,499	88.6%	88.6%	307,264	79.6%
June 30, 2009	1,705,733	-	1,705,733	2,263,862	2,263,862	558,129	75.3%	75.3%	306,524	182.1%
June 30, 2010	1,927,229	-	1,927,229	2,616,147	2,616,147	688,918	73.7%	73.7%	306,963	224.4%

* Information for years prior to 2007 was provided by prior actuaries. Prior to 2007, non-valuation asset reserves were included with the Actuarial Value of Assets (AVA). Non-valuation asset reserves were also added to the AAL prior to 2007. Beginning in 2007, non-valuation assets are not included in the AVA and are no longer added to the AAL.

** Results as of June 30, 2007 do not match those previously reported in the 2007 Comprehensive Annual Financial Report (CAFR). This information reflects the Board's actions on September 19, 2008 regarding asset reserve classifications.

**Santa Barbara County Employees'
Retirement System**

Exhibit 15: Schedule of Contributions from the Employer
(Dollars In Thousands)

Fiscal Year Ending*	Annual Required Contribution (ARC)	Actual Employer Contributions	Percentage of ARC Contributed
June 30, 2005	46,721	46,721	100%
June 30, 2006	53,977	53,977	100%
June 30, 2007	63,395	63,395	100%
June 30, 2008	69,461	69,461	100%
June 30, 2009	75,902	75,902	100%
June 30, 2010	84,647	84,647	100%

* Information for years prior to 2007 was provided by prior actuaries.

Santa Barbara County Employees' Retirement System

Exhibit 16: Solvency Test

(Dollars In Thousands)

Actuarial Valuation Date*	Valuation Assets	Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
		Active Member Contributions (A)	Retirees and Beneficiaries (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
June 30, 2005	1,443,824	125,040	715,319	847,273	100%	100%	71%
June 30, 2006	1,552,776	137,148	788,479	884,029	100%	100%	71%
June 30, 2007 **	1,704,469	169,218	979,657	810,516	100%	100%	69%
June 30, 2008	1,891,456	177,770	1,124,748	833,437	100%	100%	71%
June 30, 2009	1,705,733	174,951	1,237,215	851,696	100%	100%	34%
June 30, 2010	1,927,229	162,432	1,483,728	969,987	100%	100%	29%

* Information for years prior to 2007 was provided by prior actuaries.

Prior to 2007, non-valuation asset reserves were included with the Actuarial Value of Assets (AVA).

Non-valuation asset reserves were also added to the Actuarial Accrued Liabilities (AAL) for Active Members prior to 2007.

Beginning in 2007, non-valuation assets are not included in the AVA and are no longer added to the AAL.

Also beginning in 2007, liabilities for terminated members with vested deferred benefits are included with the AAL for Retirees and Beneficiaries.

** Results as of June 30, 2007 do not match those previously reported in the 2007 Comprehensive Annual Financial Report (CAFR).

This information reflects the Board's actions on September 19, 2008 regarding asset reserve classifications.



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Santa Barbara County Employees' Retirement System

Appendix A: Actuarial Procedures and Assumptions



The actuarial procedures and assumptions used in this valuation are described in this section. The assumptions were reviewed and changed June 30, 2010 as a result of the 2010 Investigation of Experience Study.

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

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

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

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

Table A-5 and A-6 present the expected annual percentage increase in salaries.

Tables A-7 to A-12 were developed from the experience as measured by the 2010 Investigation of Experience Study. The rates are the probabilities a member will leave the system for various reasons.

Actuarial Cost Method

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

For members who transferred between plans, entry age is based on original entry into the system.

**Actuarial Cost Method
(continued)**

The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets, and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL (or Surplus Funding) is amortized as a percentage of the projected salaries of present and future members of SBCERS. The UAAL is amortized over an “open/rolling” 17-year period. Effective with the June 30, 2009 valuation, each year, the entire UAAL is amortized over a constant 17-year period. The amortization factor does not change from year to year unless the discount rate or salary assumption is changed.

Records and Data

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

Replacement of Terminated Members

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

Growth in Membership

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

Internal Revenue Code Section 415 Limit

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

Internal Revenue Code Section 401(a)(17)

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

**Employer
Contributions**

The County and other employers' contribution rates are set by the Retirement Board based on actuarial valuations.

The employer contribution rates consist of both normal cost rates and UAAL rates. Both the normal cost rates and the UAAL rates are broken into pieces for the "Basic" rate and the COLA rate. The Basic rate is for the benefits without cost-of-living adjustments. For each class, the Basic UAAL contribution rate was determined by multiplying the total UAAL rate by the portion of the total AAL attributable to basic benefits.

**Member
Contributions**

The member contribution rates vary by entry age and are described in the law. Code references and a description of the rates are shown in Section 5 of the report. The methods and assumptions used are detailed later in this section.

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

Valuation of Assets

The assets are valued using a five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value is the prior year's market value increased with the net increase in the cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption. The expected market value, with five-year smoothing valuation basis for all assets was adopted effective June 30, 2002.

**Investment Earnings
and Expenses**

The future investment earnings of the assets of SBCERS are assumed to accrue at an annual rate of 7.75% compounded annually, net of both investment and administrative expenses. This rate was adopted effective June 30, 2010.

**Postretirement
Benefit Increases**

Postretirement increases are assumed for the valuation in accordance with the benefits provided as described in Appendix B. These adjustments are assumed to be payable each year in the future as they are less than the expected increase in the Consumer Price Index of 3.25% per year. This rate was adopted effective June 30, 2010.

**Interest on Member
Contributions**

The annual credited interest rate on member contributions is assumed to be 4.25%. This rate was adopted effective June 30, 2010. As of June 30, 2008, the credited interest rate each six-month period is the semi-annual yield of the five-year Treasury note as of the last business day of the interest crediting period.

Future Salaries

The rates of annual salary increase assumed for the purpose of the valuation are illustrated in Table A-5 and A-6. In addition to increases in salary due to promotions and longevity, this scale includes an assumed 3.75% per annum rate of increase in the general wage level of the membership. These rates were adopted effective June 30, 2010.

Social Security Wage Base

General Plan 2 members have their benefits offset by an assumed Social Security Benefit. For valuation funding purposes, we need to project the Social Security Benefit. We assume the current Social Security provisions will continue and the annual Wage Base will increase at the rate of 3.75% per year. Note, statutory provisions describe exactly how to compute the offset for purposes of determining a member's offset amount at time of termination or retirement.

Retirement

After members attain age 50 (55 for General Plan 2 members) and have 10 years of service, they may retire with a benefit commencing immediately. All members except General Plan 2 members may also retire regardless of age after 20 years of service for Safety members and after 30 years of service for General members. The retirement rates vary by age and are shown by plan in Tables A-7 to A-12.

All General members who attain or who have attained age 75 in active service and all Safety members who have attained age 65 in active service are assumed to retire immediately.

All deferred vested members are assumed to retire at the later of age at termination or age 58 for General members and age 54 for Safety members, except for General Plan 2, who are assumed to retire at 65 and Safety Plan 6 who are assumed to retire at age 50.

The assumptions regarding termination of employment, early retirement, and unreduced service retirement are treated as a single set of decrements in regards to a particular member. For example, a General member hired at age 30 has a probability to withdraw from SBCERS due to death, disability or *other termination of employment* until age 50. After age 50, the member could still withdraw due to death, disability or *retirement*. Thus, in no year during the member's projected employment would they be eligible for both a probability of other termination of employment and a probability of retirement.

These rates were adopted effective June 30, 2010.

Disability

The rates of disability used in the valuation are also illustrated in Tables A-7 to A-12. These rates were revised June 30, 2010.

**Sick Leave Service
Credit Upon
Retirement**

Upon retirement, members are entitled to turn their sick leave balances into service credit for retirement benefits. Members are limited to one year of service credit. We apply a 1.34% load to the expected years of service at retirement for sick leave service credit.

**Mortality – Other
Than Disabled
Members**

The same postretirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. These rates are illustrated in Table A-2. Beneficiary mortality is assumed to be the same assumption as healthy members. Beneficiaries are assumed to be of the opposite sex, and have the same mortality as General members. These rates were adopted June 30, 2010.

Males: General members: RP-2000 Combined Healthy Mortality Table for Males projected to 2010 using scale AA, with ages set back two years.

Safety members: RP-2000 Combined Healthy Mortality Table for Males projected to 2010 using scale AA, with ages set back two years.

Females: General members: RP-2000 Combined Healthy Mortality Table for Females projected to 2010 using scale AA, with ages set back four years.

Safety members: RP-2000 Combined Healthy Mortality Table for Females projected to 2010 using scale AA, with ages set back four years

**Mortality – Disabled
Members**

For disabled members, the mortality rates used in the valuation rates are illustrated in Table A-3. These rates were adopted June 30, 2010.

Males: General members: RP-2000 Combined Healthy Mortality Table for Males projected to 2010 using scale AA, with no age adjustment.

Safety members: RP-2000 Combined Healthy Mortality Table for Males projected to 2010 using scale AA, with no age adjustment.

Females: General members: RP-2000 Combined Healthy Mortality Table for Females projected to 2010 using scale AA, with no age adjustment.

Safety members: RP-2000 Combined Healthy Mortality Table for Females projected to 2010 using scale AA, with no age adjustment.

**Other Employment
Terminations**

Tables A-7 to A-12 show, for all ages, the rates assumed in this valuation for future termination from active service other than for death, disability or retirement. These rates do not apply to members eligible for service retirement. These rates were adopted effective June 30, 2010.

Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further benefits, or they may leave their contributions with SBCERS. Former contributing members whose contributions are on deposit may later elect to receive a refund, may return to work or may remain inactive until becoming eligible to receive a retirement benefit under either SBCERS or a reciprocal retirement system.

All terminating members are assumed not to be rehired by SBCERS. Table A-4 gives the assumed probabilities that terminated members will elect a refund of contributions immediately upon termination. All other terminating members are assumed to leave their contributions on deposit. Fifty percent (50%) of members who leave their contributions on deposit are assumed to take employment at a reciprocal agency.

Former members with contributions on deposit are assumed to receive a retirement benefit commencing at the following ages:

General Plan 5 Members	Age 58
General Plan 2 Members	Age 65
Safety Plan 4 Members	Age 54
Safety Plan 6 Members	Age 50
APCD Members	Age 58

Reciprocal members are assumed to remain with the reciprocal agency until retirement, and receive annual salary increases of:

General & APCD Members	4.00%
Safety Members	4.25%

These rates and assumptions were adopted effective June 30, 2010.

Probability of Eligible Survivor

For members not currently in pay status, 80% of all males and 55% of all females are assumed to have eligible survivors (spouses or qualified domestic partners). Survivors are assumed to be three years younger than male members and three years older than female members. Survivors are assumed to be of the opposite sex as the member. There is no explicit assumption for children's benefits. We believe the survivor benefits based on this assumption are sufficient to cover children's benefits as they occur.

Member Contribution Rate Assumptions

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

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

- A. Annuity factor used for General and Safety members is based on using a unisex mortality assumption. For these purposes, as well as determining option factors, the unisex mortality assumption is:

General Healthy Members:	RP-2000 Combined Healthy Male projected to 2010 using scale AA, set back 4 years.
Safety Healthy Members:	RP-2000 Combined Healthy Male projected to 2010 using scale AA, set back 3 years.
Beneficiaries:	RP-2000 Combined Healthy Female projected to 2010 using scale AA, set back 2 years.
General Disabled Members:	RP-2000 Combined Healthy Male projected to 2010 using scale AA, set back 1 year.
Safety Disabled Members:	RP-2000 Combined Healthy Male projected to 2010 using scale AA, no adjustment.

- B. The annuity factor used in determining the present value of future benefits (PVFB) at entry age is equal to the life only annuity factor at 7.75%.
- C. The Final Compensation is based on the salary paid in the year prior to attaining the retirement age.
Example: For a General Plan 5 member who enters at age 59 or earlier, the Final Compensation at retirement (age 60) will be the monthly average of the annual salaries during age 59.
- D. Member Rates are assumed to increase with entry age.

Santa Barbara County Employees' Retirement System

Table A-1: Summary of Valuation Assumptions as of June 30, 2010

I.	Economic assumptions	
	A. General wage increases	3.75%
	B. Investment earnings	7.75%
	C. Growth in membership	0.00
	D. Postretirement benefit increases (varies by plan)	Plan COLA not greater than CPI assumption.
	E. CPI inflation assumption	3.25%
II.	Demographic assumptions	
	A. Salary increases due to service	Tables A-5 to A-6
	B. Retirement	Tables A-7 to A-12
	C. Disablement	Tables A-7 to A-12
	D. Mortality for active members after termination and service retired members.	Table A-2

Basis – RP-2000 Combined Healthy Mortality Table for respective sexes for general members projected to 2010 using scale AA, as adjusted:

<u>Class of Members</u>	<u>Age Adjustment</u>
General – males	-2 years
General – females	-4 years
Safety – males	-2 years
Safety – females	-4 years

E.	Mortality among disabled members	Table A-3
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Basis – RP-2000 Combined Healthy Mortality Table projected to 2010 using scale AA, as adjusted:

General - males	0 years
General - females	0 years
Safety - males	0 years
Safety - females	0 years

F.	Mortality for beneficiaries.	Table A-2
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Basis – Beneficiaries are assumed to have the same mortality as a general member of the opposite sex who has taken a service retirement.

G.	Other terminations of employment	Tables A-7 to A-12
H.	Refund of contributions on vested termination	Table A-4

Santa Barbara County Employees' Retirement System

Table A-2: Mortality for Members Retired for Service

Age	Safety Male	Safety Female	General Male	General Female
20	0.026%	0.015%	0.026%	0.015%
25	0.032%	0.016%	0.032%	0.016%
30	0.037%	0.019%	0.037%	0.019%
35	0.060%	0.028%	0.060%	0.028%
40	0.091%	0.046%	0.091%	0.046%
45	0.116%	0.067%	0.116%	0.067%
50	0.158%	0.103%	0.158%	0.103%
55	0.238%	0.158%	0.238%	0.158%
60	0.449%	0.291%	0.449%	0.291%
65	0.870%	0.553%	0.870%	0.553%
70	1.552%	1.042%	1.552%	1.042%
75	2.612%	1.749%	2.612%	1.749%
80	4.620%	2.858%	4.620%	2.858%
85	8.279%	4.734%	8.279%	4.734%
90	14.323%	8.215%	14.323%	8.215%

**Santa Barbara County Employees'
Retirement System**

Table A-3: Mortality for Members Retired for Disability

Age	Safety Male	Safety Female	General Male	General Female
20	0.028%	0.016%	0.028%	0.016%
25	0.034%	0.018%	0.034%	0.018%
30	0.042%	0.024%	0.042%	0.024%
35	0.074%	0.043%	0.074%	0.043%
40	0.100%	0.061%	0.100%	0.061%
45	0.132%	0.096%	0.132%	0.096%
50	0.178%	0.141%	0.178%	0.141%
55	0.299%	0.251%	0.299%	0.251%
60	0.574%	0.481%	0.574%	0.481%
65	1.106%	0.923%	1.106%	0.923%
70	1.909%	1.592%	1.909%	1.592%
75	3.286%	2.594%	3.286%	2.594%
80	5.821%	4.277%	5.821%	4.277%
85	10.324%	7.292%	10.324%	7.292%
90	17.620%	12.778%	17.620%	12.778%

Santa Barbara County Employees' Retirement System

Table A-4: Immediate Refund of Contributions Upon Termination of Employment

Years of Service	General Male	General Female	Safety
0	100%	100%	100%
1	100%	100%	100%
2	100%	100%	100%
3	100%	100%	100%
4	100%	100%	100%
5	40%	40%	25%
6	40%	40%	25%
7	40%	40%	25%
8	40%	40%	25%
9	40%	40%	25%
10	25%	25%	0%
11	25%	25%	0%
12	25%	25%	0%
13	25%	25%	0%
14	25%	25%	0%
15	10%	10%	0%
16	10%	10%	0%
17	10%	10%	0%
18	10%	10%	0%
19	10%	10%	0%
20	10%	10%	0%
21	10%	10%	0%
22	10%	10%	0%
23	10%	10%	0%
24	10%	10%	0%
25	0%	10%	0%
26	0%	10%	0%
27	0%	10%	0%
28	0%	10%	0%
29	0%	10%	0%
30 & Up	0%	0%	0%

Santa Barbara County Employees' Retirement System

**Table A-5: Annual Increase in Salary
General**

Years of Service	Due to Promotion and Longevity	Total Annual Increase*
<1	4.75%	8.68%
1	4.00%	7.90%
2	3.25%	7.12%
3	2.50%	6.34%
4	2.00%	5.83%
5	1.50%	5.31%
6	1.25%	5.05%
7	1.00%	4.79%
8	0.90%	4.68%
9	0.80%	4.58%
10	0.78%	4.55%
11	0.75%	4.53%
12	0.70%	4.48%
13	0.65%	4.42%
14	0.60%	4.37%
15	0.55%	4.32%
16	0.50%	4.27%
17	0.48%	4.25%
18	0.46%	4.23%
19	0.44%	4.21%
20	0.42%	4.19%
21	0.40%	4.16%
22	0.38%	4.14%
23	0.36%	4.12%
24	0.34%	4.10%
25	0.32%	4.08%
26	0.30%	4.06%
27	0.28%	4.04%
28	0.26%	4.02%
29	0.25%	4.01%
30 or More	0.25%	4.01%

** The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 3.75% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.*



Santa Barbara County Employees' Retirement System

**Table A-6: Annual Increase in Salary
Safety**

Years of Service	Due to Promotion and Longevity	Total Annual Increase*
<1	6.00%	9.98%
1	5.00%	8.94%
2	4.00%	7.90%
3	3.25%	7.12%
4	2.50%	6.34%
5	2.00%	5.83%
6	1.60%	5.41%
7	1.30%	5.10%
8	1.20%	4.99%
9	1.10%	4.89%
10	1.00%	4.79%
11	0.95%	4.74%
12	0.92%	4.70%
13	0.89%	4.68%
14	0.87%	4.65%
15	0.85%	4.63%
16	0.82%	4.60%
17	0.80%	4.57%
18	0.77%	4.55%
19	0.74%	4.52%
20	0.72%	4.50%
21	0.69%	4.47%
22	0.67%	4.45%
23	0.64%	4.42%
24	0.62%	4.39%
25	0.59%	4.37%
26	0.57%	4.34%
27	0.54%	4.32%
28	0.52%	4.29%
29	0.50%	4.27%
30 or More	0.50%	4.27%

** The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 3.75% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.*



Santa Barbara County Employees' Retirement System

**Table A-7: Rate of Separation From Active Service For General Members
All Plans - Male**

Age	Service Retirement	Service Disability	Ordinary Disability	Death	Years of Service	Other Terminations
18	0.0000	0.00003	0.00005	0.00023	0	0.1300
19	0.0000	0.00003	0.00005	0.00025	1	0.1200
20	0.0000	0.00003	0.00005	0.00026	2	0.0950
21	0.0000	0.00003	0.00005	0.00027	3	0.0700
22	0.0000	0.00003	0.00005	0.00028	4	0.0600
23	0.0000	0.00003	0.00005	0.00030	5	0.0550
24	0.0000	0.00003	0.00005	0.00031	6	0.0500
25	0.0000	0.00003	0.00005	0.00032	7	0.0450
26	0.0000	0.00003	0.00005	0.00033	8	0.0430
27	0.0000	0.00003	0.00005	0.00034	9	0.0410
28	0.0000	0.00003	0.00005	0.00036	10	0.0390
29	0.0000	0.00003	0.00005	0.00036	11	0.0370
30	0.0000	0.00003	0.00005	0.00037	12	0.0350
31	0.0000	0.00003	0.00005	0.00039	13	0.0330
32	0.0000	0.00003	0.00005	0.00042	14	0.0310
33	0.0000	0.00003	0.00005	0.00047	15	0.0290
34	0.0000	0.00003	0.00005	0.00053	16	0.0270
35	0.0000	0.00003	0.00005	0.00060	17	0.0250
36	0.0000	0.00003	0.00005	0.00067	18	0.0240
37	0.0000	0.00003	0.00005	0.00074	19	0.0230
38	0.0000	0.00003	0.00005	0.00080	20	0.0220
39	0.0000	0.00003	0.00005	0.00086	21	0.0210
40	0.0300	0.00006	0.00009	0.00091	22	0.0200
41	0.0300	0.00015	0.00022	0.00095	23	0.0160
42	0.0300	0.00023	0.00035	0.00100	24	0.0120
43	0.0300	0.00032	0.00048	0.00104	25	0.0080
44	0.0300	0.00041	0.00061	0.00110	26	0.0040
45	0.0300	0.00050	0.00074	0.00116	27	0.0000
46	0.0300	0.00058	0.00087	0.00124	28	0.0000
47	0.0300	0.00067	0.00100	0.00132	29	0.0000
48	0.0300	0.00076	0.00113	0.00140	30 & Above	0.0000
49	0.0300	0.00084	0.00126	0.00149		
50	0.0300	0.00093	0.00140	0.00158		
51	0.0400	0.00102	0.00153	0.00168		
52	0.0400	0.00110	0.00166	0.00178		
53	0.0400	0.00119	0.00179	0.00202		
54	0.0400	0.00128	0.00192	0.00218		
55	0.0400	0.00137	0.00205	0.00238		
56	0.0600	0.00145	0.00218	0.00261		
57	0.0600	0.00154	0.00231	0.00299		
58	0.0600	0.00163	0.00244	0.00350		
59	0.1200	0.00171	0.00257	0.00395		
60	0.1500	0.00180	0.00270	0.00449		
61	0.2500	0.00180	0.00270	0.00506		
62	0.2500	0.00180	0.00270	0.00574		
63	0.2500	0.00180	0.00270	0.00660		
64	0.2500	0.00180	0.00270	0.00753		
65	0.2500	0.00180	0.00270	0.00870		
66	0.2500	0.00180	0.00270	0.00980		
67	0.2500	0.00180	0.00270	0.01106		
68	0.2500	0.00180	0.00270	0.01264		
69	0.2500	0.00180	0.00270	0.01410		
70	0.2500	0.00180	0.00270	0.01552		
71	0.2500	0.00180	0.00270	0.01720		
72	0.2500	0.00180	0.00270	0.01909		
73	0.2500	0.00180	0.00270	0.02112		
74	0.2500	0.00180	0.00270	0.02345		
75	1.0000	0.00000	0.00000	0.00000		



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. A-14
Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Santa Barbara County Employees' Retirement System

**Table A-8: Rate of Separation From Active Service For General Members
All Plans - Female**

Age	Service Retirement	Service Disability	Ordinary Disability	Death	Years of Service	Other Terminations
18	0.0000	0.00003	0.00005	0.00014	0	0.1300
19	0.0000	0.00003	0.00005	0.00014	1	0.1300
20	0.0000	0.00003	0.00005	0.00015	2	0.1000
21	0.0000	0.00003	0.00005	0.00016	3	0.0800
22	0.0000	0.00003	0.00005	0.00016	4	0.0600
23	0.0000	0.00003	0.00005	0.00016	5	0.0550
24	0.0000	0.00003	0.00005	0.00016	6	0.0483
25	0.0000	0.00003	0.00005	0.00016	7	0.0450
26	0.0000	0.00003	0.00005	0.00016	8	0.0420
27	0.0000	0.00003	0.00005	0.00017	9	0.0390
28	0.0000	0.00003	0.00005	0.00017	10	0.0360
29	0.0000	0.00003	0.00005	0.00018	11	0.0330
30	0.0000	0.00003	0.00005	0.00019	12	0.0300
31	0.0000	0.00003	0.00005	0.00020	13	0.0280
32	0.0000	0.00003	0.00005	0.00021	14	0.0260
33	0.0000	0.00003	0.00005	0.00022	15	0.0240
34	0.0000	0.00003	0.00005	0.00024	16	0.0220
35	0.0000	0.00003	0.00005	0.00028	17	0.0200
36	0.0000	0.00003	0.00005	0.00032	18	0.0190
37	0.0000	0.00003	0.00005	0.00036	19	0.0180
38	0.0000	0.00003	0.00005	0.00039	20	0.0170
39	0.0000	0.00003	0.00005	0.00043	21	0.0160
40	0.0700	0.00006	0.00009	0.00046	22	0.0150
41	0.0700	0.00015	0.00022	0.00049	23	0.0140
42	0.0700	0.00023	0.00035	0.00052	24	0.0130
43	0.0700	0.00032	0.00048	0.00056	25	0.0120
44	0.0700	0.00041	0.00061	0.00061	26	0.0110
45	0.0700	0.00050	0.00074	0.00067	27	0.0100
46	0.0700	0.00058	0.00087	0.00073	28	0.0067
47	0.0700	0.00067	0.00100	0.00081	29	0.0033
48	0.0700	0.00076	0.00113	0.00088	30 & Above	0.0000
49	0.0700	0.00084	0.00126	0.00096		
50	0.0700	0.00093	0.00140	0.00103		
51	0.0300	0.00102	0.00153	0.00111		
52	0.0300	0.00110	0.00166	0.00120		
53	0.0300	0.00119	0.00179	0.00129		
54	0.0900	0.00128	0.00192	0.00141		
55	0.0900	0.00137	0.00205	0.00158		
56	0.0900	0.00145	0.00218	0.00175		
57	0.0900	0.00154	0.00231	0.00196		
58	0.0900	0.00163	0.00244	0.00219		
59	0.1200	0.00171	0.00257	0.00251		
60	0.1500	0.00180	0.00270	0.00291		
61	0.1800	0.00180	0.00270	0.00331		
62	0.2500	0.00180	0.00270	0.00373		
63	0.2500	0.00180	0.00270	0.00422		
64	0.2500	0.00180	0.00270	0.00481		
65	0.2500	0.00180	0.00270	0.00553		
66	0.2500	0.00180	0.00270	0.00633		
67	0.2500	0.00180	0.00270	0.00727		
68	0.2500	0.00180	0.00270	0.00820		
69	0.2500	0.00180	0.00270	0.00923		
70	0.2500	0.00180	0.00270	0.01042		
71	0.2500	0.00180	0.00270	0.01157		
72	0.2500	0.00180	0.00270	0.01279		
73	0.2500	0.00180	0.00270	0.01413		
74	0.2500	0.00180	0.00270	0.01592		
75	1.0000	0.00000	0.00000	0.00000		

Santa Barbara County Employees' Retirement System

**Table A-9: Rate of Separation From Active Service For Safety Members
Plan 4 - Male**

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.00090	0.00010	0.00010	0.00023	0	0.0800
19	0.0000	0.00090	0.00010	0.00010	0.00025	1	0.0800
20	0.0000	0.00090	0.00010	0.00010	0.00026	2	0.0300
21	0.0000	0.00090	0.00010	0.00010	0.00027	3	0.0300
22	0.0000	0.00090	0.00010	0.00010	0.00028	4	0.0300
23	0.0000	0.00090	0.00010	0.00010	0.00030	5	0.0300
24	0.0000	0.00090	0.00010	0.00010	0.00031	6	0.0300
25	0.0000	0.00090	0.00010	0.00010	0.00032	7	0.0300
26	0.0000	0.00090	0.00010	0.00010	0.00033	8	0.0270
27	0.0000	0.00090	0.00010	0.00010	0.00034	9	0.0240
28	0.0000	0.00090	0.00010	0.00010	0.00036	10	0.0210
29	0.0000	0.00090	0.00010	0.00010	0.00036	11	0.0180
30	0.0200	0.00135	0.00015	0.00010	0.00037	12	0.0150
31	0.0200	0.00135	0.00015	0.00010	0.00039	13	0.0140
32	0.0200	0.00135	0.00015	0.00010	0.00042	14	0.0130
33	0.0200	0.00135	0.00015	0.00010	0.00047	15	0.0120
34	0.0200	0.00135	0.00015	0.00010	0.00053	16	0.0110
35	0.0200	0.00180	0.00020	0.00010	0.00060	17	0.0100
36	0.0200	0.00180	0.00020	0.00010	0.00067	18	0.0080
37	0.0200	0.00180	0.00020	0.00010	0.00074	19	0.0060
38	0.0200	0.00180	0.00020	0.00010	0.00080	20 & Above	0.0000
39	0.0200	0.00180	0.00020	0.00010	0.00086		
40	0.0200	0.00225	0.00025	0.00010	0.00091		
41	0.0200	0.00225	0.00025	0.00010	0.00095		
42	0.0200	0.00225	0.00025	0.00010	0.00100		
43	0.0200	0.00225	0.00025	0.00010	0.00104		
44	0.0200	0.00225	0.00025	0.00010	0.00110		
45	0.0200	0.00270	0.00030	0.00010	0.00116		
46	0.0200	0.00315	0.00035	0.00010	0.00124		
47	0.0200	0.00360	0.00040	0.00010	0.00132		
48	0.0200	0.00405	0.00045	0.00010	0.00140		
49	0.0200	0.00450	0.00050	0.00010	0.00149		
50	0.0800	0.00495	0.00055	0.00010	0.00158		
51	0.0400	0.00540	0.00060	0.00010	0.00168		
52	0.0400	0.00585	0.00065	0.00010	0.00178		
53	0.0400	0.00630	0.00070	0.00010	0.00202		
54	0.2000	0.00675	0.00075	0.00010	0.00218		
55	0.3300	0.00720	0.00080	0.00010	0.00238		
56	0.2500	0.00720	0.00080	0.00010	0.00261		
57	0.2500	0.00720	0.00080	0.00010	0.00299		
58	0.2500	0.00720	0.00080	0.00010	0.00350		
59	0.2500	0.00720	0.00080	0.00010	0.00395		
60	0.2500	0.00720	0.00080	0.00010	0.00449		
61	0.2500	0.00720	0.00080	0.00010	0.00506		
62	0.3500	0.00720	0.00080	0.00010	0.00574		
63	0.3500	0.00720	0.00080	0.00010	0.00660		
64	0.3500	0.00720	0.00080	0.00010	0.00753		
65	1.0000	0.00000	0.00000	0.00000	0.00000		

Santa Barbara County Employees' Retirement System

**Table A-10: Rate of Separation From Active Service For Safety Members
Plan 4 - Female**

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.00090	0.00010	0.00010	0.00014	0	0.0800
19	0.0000	0.00090	0.00010	0.00010	0.00014	1	0.0800
20	0.0000	0.00090	0.00010	0.00010	0.00015	2	0.0300
21	0.0000	0.00090	0.00010	0.00010	0.00016	3	0.0300
22	0.0000	0.00090	0.00010	0.00010	0.00016	4	0.0300
23	0.0000	0.00090	0.00010	0.00010	0.00016	5	0.0300
24	0.0000	0.00090	0.00010	0.00010	0.00016	6	0.0300
25	0.0000	0.00090	0.00010	0.00010	0.00016	7	0.0300
26	0.0000	0.00090	0.00010	0.00010	0.00016	8	0.0270
27	0.0000	0.00090	0.00010	0.00010	0.00017	9	0.0240
28	0.0000	0.00090	0.00010	0.00010	0.00017	10	0.0210
29	0.0000	0.00090	0.00010	0.00010	0.00018	11	0.0180
30	0.0200	0.00135	0.00015	0.00010	0.00019	12	0.0150
31	0.0200	0.00135	0.00015	0.00010	0.00020	13	0.0140
32	0.0200	0.00135	0.00015	0.00010	0.00021	14	0.0130
33	0.0200	0.00135	0.00015	0.00010	0.00022	15	0.0120
34	0.0200	0.00135	0.00015	0.00010	0.00024	16	0.0110
35	0.0200	0.00180	0.00020	0.00010	0.00028	17	0.0100
36	0.0200	0.00180	0.00020	0.00010	0.00032	18	0.0080
37	0.0200	0.00180	0.00020	0.00010	0.00036	19	0.0060
38	0.0200	0.00180	0.00020	0.00010	0.00039	20 & Above	0.0000
39	0.0200	0.00180	0.00020	0.00010	0.00043		
40	0.0200	0.00225	0.00025	0.00010	0.00046		
41	0.0200	0.00225	0.00025	0.00010	0.00049		
42	0.0200	0.00225	0.00025	0.00010	0.00052		
43	0.0200	0.00225	0.00025	0.00010	0.00056		
44	0.0200	0.00225	0.00025	0.00010	0.00061		
45	0.0200	0.00270	0.00030	0.00010	0.00067		
46	0.0200	0.00315	0.00035	0.00010	0.00073		
47	0.0200	0.00360	0.00040	0.00010	0.00081		
48	0.0200	0.00405	0.00045	0.00010	0.00088		
49	0.0200	0.00450	0.00050	0.00010	0.00096		
50	0.0800	0.00495	0.00055	0.00010	0.00103		
51	0.0400	0.00540	0.00060	0.00010	0.00111		
52	0.0400	0.00585	0.00065	0.00010	0.00120		
53	0.0400	0.00630	0.00070	0.00010	0.00129		
54	0.2000	0.00675	0.00075	0.00010	0.00141		
55	0.3300	0.00720	0.00080	0.00010	0.00158		
56	0.2500	0.00720	0.00080	0.00010	0.00175		
57	0.2500	0.00720	0.00080	0.00010	0.00196		
58	0.2500	0.00720	0.00080	0.00010	0.00219		
59	0.2500	0.00720	0.00080	0.00010	0.00251		
60	0.2500	0.00720	0.00080	0.00010	0.00291		
61	0.2500	0.00720	0.00080	0.00010	0.00331		
62	0.3500	0.00720	0.00080	0.00010	0.00373		
63	0.3500	0.00720	0.00080	0.00010	0.00422		
64	0.3500	0.00720	0.00080	0.00010	0.00481		
65	1.0000	0.00000	0.00000	0.00000	0.00000		

Santa Barbara County Employees' Retirement System

**Table A-11: Rate of Separation From Active Service For Safety Members
Plan 6 - Male**

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.00090	0.00010	0.00010	0.00023	0	0.0800
19	0.0000	0.00090	0.00010	0.00010	0.00025	1	0.0800
20	0.0000	0.00090	0.00010	0.00010	0.00026	2	0.0300
21	0.0000	0.00090	0.00010	0.00010	0.00027	3	0.0300
22	0.0000	0.00090	0.00010	0.00010	0.00028	4	0.0300
23	0.0000	0.00090	0.00010	0.00010	0.00030	5	0.0300
24	0.0000	0.00090	0.00010	0.00010	0.00031	6	0.0300
25	0.0000	0.00090	0.00010	0.00010	0.00032	7	0.0300
26	0.0000	0.00090	0.00010	0.00010	0.00033	8	0.0270
27	0.0000	0.00090	0.00010	0.00010	0.00034	9	0.0240
28	0.0000	0.00090	0.00010	0.00010	0.00036	10	0.0210
29	0.0000	0.00090	0.00010	0.00010	0.00036	11	0.0180
30	0.0200	0.00135	0.00015	0.00010	0.00037	12	0.0150
31	0.0200	0.00135	0.00015	0.00010	0.00039	13	0.0140
32	0.0200	0.00135	0.00015	0.00010	0.00042	14	0.0130
33	0.0200	0.00135	0.00015	0.00010	0.00047	15	0.0120
34	0.0200	0.00135	0.00015	0.00010	0.00053	16	0.0110
35	0.0200	0.00180	0.00020	0.00010	0.00060	17	0.0100
36	0.0200	0.00180	0.00020	0.00010	0.00067	18	0.0080
37	0.0200	0.00180	0.00020	0.00010	0.00074	19	0.0060
38	0.0200	0.00180	0.00020	0.00010	0.00080	20 & Above	0.0000
39	0.0200	0.00180	0.00020	0.00010	0.00086		
40	0.0200	0.00225	0.00025	0.00010	0.00091		
41	0.0200	0.00225	0.00025	0.00010	0.00095		
42	0.0200	0.00225	0.00025	0.00010	0.00100		
43	0.0200	0.00225	0.00025	0.00010	0.00104		
44	0.0200	0.00225	0.00025	0.00010	0.00110		
45	0.0200	0.00270	0.00030	0.00010	0.00116		
46	0.0200	0.00315	0.00035	0.00010	0.00124		
47	0.0700	0.00360	0.00040	0.00010	0.00132		
48	0.0700	0.00405	0.00045	0.00010	0.00140		
49	0.1000	0.00450	0.00050	0.00010	0.00149		
50	0.2000	0.00495	0.00055	0.00010	0.00158		
51	0.1000	0.00540	0.00060	0.00010	0.00168		
52	0.1000	0.00585	0.00065	0.00010	0.00178		
53	0.1000	0.00630	0.00070	0.00010	0.00202		
54	0.3000	0.00675	0.00075	0.00010	0.00218		
55	0.3300	0.00720	0.00080	0.00010	0.00238		
56	0.2500	0.00720	0.00080	0.00010	0.00261		
57	0.2500	0.00720	0.00080	0.00010	0.00299		
58	0.2500	0.00720	0.00080	0.00010	0.00350		
59	0.2500	0.00720	0.00080	0.00010	0.00395		
60	0.2500	0.00720	0.00080	0.00010	0.00449		
61	0.2500	0.00720	0.00080	0.00010	0.00506		
62	0.3500	0.00720	0.00080	0.00010	0.00574		
63	0.3500	0.00720	0.00080	0.00010	0.00660		
64	0.3500	0.00720	0.00080	0.00010	0.00753		
65	1.0000	0.00000	0.00000	0.00000	0.00000		

Santa Barbara County Employees' Retirement System

**Table A-12: Rate of Separation From Active Service For Safety Members
Plan 6 - Female**

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.00090	0.00010	0.00010	0.00014	0	0.0800
19	0.0000	0.00090	0.00010	0.00010	0.00014	1	0.0800
20	0.0000	0.00090	0.00010	0.00010	0.00015	2	0.0300
21	0.0000	0.00090	0.00010	0.00010	0.00016	3	0.0300
22	0.0000	0.00090	0.00010	0.00010	0.00016	4	0.0300
23	0.0000	0.00090	0.00010	0.00010	0.00016	5	0.0300
24	0.0000	0.00090	0.00010	0.00010	0.00016	6	0.0300
25	0.0000	0.00090	0.00010	0.00010	0.00016	7	0.0300
26	0.0000	0.00090	0.00010	0.00010	0.00016	8	0.0270
27	0.0000	0.00090	0.00010	0.00010	0.00017	9	0.0240
28	0.0000	0.00090	0.00010	0.00010	0.00017	10	0.0210
29	0.0000	0.00090	0.00010	0.00010	0.00018	11	0.0180
30	0.0200	0.00135	0.00015	0.00010	0.00019	12	0.0150
31	0.0200	0.00135	0.00015	0.00010	0.00020	13	0.0140
32	0.0200	0.00135	0.00015	0.00010	0.00021	14	0.0130
33	0.0200	0.00135	0.00015	0.00010	0.00022	15	0.0120
34	0.0200	0.00135	0.00015	0.00010	0.00024	16	0.0110
35	0.0200	0.00180	0.00020	0.00010	0.00028	17	0.0100
36	0.0200	0.00180	0.00020	0.00010	0.00032	18	0.0080
37	0.0200	0.00180	0.00020	0.00010	0.00036	19	0.0060
38	0.0200	0.00180	0.00020	0.00010	0.00039	20 & Above	0.0000
39	0.0200	0.00180	0.00020	0.00010	0.00043		
40	0.0200	0.00225	0.00025	0.00010	0.00046		
41	0.0200	0.00225	0.00025	0.00010	0.00049		
42	0.0200	0.00225	0.00025	0.00010	0.00052		
43	0.0200	0.00225	0.00025	0.00010	0.00056		
44	0.0200	0.00225	0.00025	0.00010	0.00061		
45	0.0200	0.00270	0.00030	0.00010	0.00067		
46	0.0200	0.00315	0.00035	0.00010	0.00073		
47	0.0700	0.00360	0.00040	0.00010	0.00081		
48	0.0700	0.00405	0.00045	0.00010	0.00088		
49	0.1000	0.00450	0.00050	0.00010	0.00096		
50	0.2000	0.00495	0.00055	0.00010	0.00103		
51	0.1000	0.00540	0.00060	0.00010	0.00111		
52	0.1000	0.00585	0.00065	0.00010	0.00120		
53	0.1000	0.00630	0.00070	0.00010	0.00129		
54	0.3000	0.00675	0.00075	0.00010	0.00141		
55	0.3300	0.00720	0.00080	0.00010	0.00158		
56	0.2500	0.00720	0.00080	0.00010	0.00175		
57	0.2500	0.00720	0.00080	0.00010	0.00196		
58	0.2500	0.00720	0.00080	0.00010	0.00219		
59	0.2500	0.00720	0.00080	0.00010	0.00251		
60	0.2500	0.00720	0.00080	0.00010	0.00291		
61	0.2500	0.00720	0.00080	0.00010	0.00331		
62	0.3500	0.00720	0.00080	0.00010	0.00373		
63	0.3500	0.00720	0.00080	0.00010	0.00422		
64	0.3500	0.00720	0.00080	0.00010	0.00481		
65	1.0000	0.00000	0.00000	0.00000	0.00000		

Santa Barbara County Employees' Retirement System

Appendix B: Summary of Benefit Provisions



All actuarial calculations are based on our understanding of the statutes governing the SBCERS as contained in the County Employees Retirement Law (CERL) of 1937, with provisions adopted by the SBCERS Board, effective through June 30, 2008. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the State Code. This summary does not attempt to cover all the detailed provisions of the law.

MEMBERSHIP IN RETIREMENT PLANS

The County has established several defined benefit tiers based primarily on a member's date of entry into SBCERS. There are two types of SBCERS members:

Government Code Section

Safety members: employees whose principal duty is active law enforcement or active fire suppression are eligible to be Safety members. Membership in a particular tier depends upon date of entry to the system and bargaining unit.

General members: all non-Safety employees are eligible to be General members. Membership in a particular tier depends primarily upon date of entry to the system.

General members employed by Santa Barbara County Air Pollution Control District (APCD) are in APCD Plan 1 or APCD Plan 2 depending upon their date of entry to the system.

APCD Plan 1:	APCD employees hired on or before July 3, 1995.
APCD Plan 2:	APCD employees hired after July 3, 1995.
General Plan 2:	Employees hired on or before January 11, 1999 who elected to join General Plan 2.
Safety Plan 4A & General Plan 5A:	General employees hired before October 10, 1994 who did not elect to join General Plan 2, and Safety employees hired before October 10, 1994.
Safety Plan 4B & General Plan 5B:	Employees hired on or after October 10, 1994.
General Plan 5C:	Members in certain bargaining units hired on or after October 10, 1994. Members in those bargaining units transferred from Plan 5B on March 10, 2008.
Safety Plan 4C:	Members in certain bargaining units who were hired on or after October 10, 1994. All members in certain bargaining units. Members in those bargaining units transferred from Plan 4B on July 3, 2006.
Safety Plan 6A:	Members in certain bargaining units hired prior to October 10, 1994. Members in those bargaining units transferred from Plan 4A on February 25, 2008.

Safety Plan 6B: Members in certain bargaining units hired after October 10, 1994. Members in those bargaining units transferred from Plan 4D on February 25, 2008.

MEMBER CONTRIBUTIONS

Basic:

Contributions are based on the entry age and class of each member and are required of all members except General Plan 2 members. See Section 5 for details on this calculation. Current member rates are shown in Appendix D. (31453, 31454, 31454.1)

Contributions cease when general members are credited with 30 years of service in a contributory plan provided they were members of SBCERS or a reciprocal system on March 7, 1973, and continuously thereafter. All safety members are eligible for the 30-year cessation of contributions, regardless of hire date. (31625, 31625.2)

Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Retirement on amounts that have been on deposit for at least six months. (31591, 31700)

Cost-of-Living:

Members do not contribute towards the cost-of-living benefit.

Cost-Sharing:

Members contribute a varying amount based on entry age and Plan.

General Plan 5A member rates are half General Plan 5B member rates. (31621.2, 31621.5)

General Plan 5C is based on half rates.

APCD Plan 1 member rates are half APCD Plan 2 member rates. (31621.6, 31581.1)

Safety Plan 4A member rates are half Safety Plan 4B member rates.

Safety Plans 4C, 6A and 6B are based on half rates.

EMPLOYER CONTRIBUTIONS

The employer (County or District) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation and recommendation of the actuary. (31453, 31453.5, 31453.6, 31454, 31454.1, 31581)

SERVICE RETIREMENT ALLOWANCE

Eligibility:

	General Plan members:	
Plans 5A, 5B & 5C:	Age 50 with 5 years of service and 10 years of elapsed time since hire; Any age with 30 years of service; or Age 70 regardless of service.	(31672, 31672.1)
Plan 2:	Age 55 with 10 years of service.	(31486.4)
	APCD Plan members:	
	Age 50 with 5 years of service and 10 years of elapsed time since hire; Any age with 30 years of service; or Age 70 regardless of service.	(31672, 31672.1)
	Safety Plan members:	
	Age 50 with 5 years of service and 10 years of elapsed time since hire; Any age with 20 years of service; or Age 60, regardless of service.	(31663.25)

Final Compensation:

	General Plan members:	
Plans 5A & 5B:	Monthly average of a member's highest 12 consecutive months of compensation.	(31462.1)
Plan 5C:	Monthly average of a member's highest 36 consecutive months of compensation.	(31462)
Plan 2:	Monthly average of a member's highest three years of compensation.	(31486.1)
	APCD Plan members:	
	Monthly average of a member's highest 12 consecutive months of compensation.	(31486.1)
	Safety Plan members:	
Plans 4A, 4B & 6A:	Monthly average of a member's highest 12 consecutive months of compensation.	(31462.1)
Plans 4C & 6B:	Monthly average of a member's highest 36 consecutive months of compensation.	(31462)

Compensation Limit:

The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the US Code. (31671)

Monthly Allowance:

General members:

Plans 5A, 5B & 5C: $2\% \times \text{Final Compensation} \times \text{General Age Factor} \times \text{Years of Service}$. (31676.12)

Plan 2: Sum of (a) + (b) – (c): (31486.4)
 (a) $2\% \times \text{Final Compensation} \times \text{Years of Service}$ (max. 35 years); plus
 (b) $1\% \times \text{Final Compensation} \times \text{Years of Service}$ in excess of 35 (max. 10 years); minus
 (c) $1/35 \times \text{Primary Insurance Amount (PIA) at age 65} \times \text{Years of Covered Service}$ (max. 35 years)

The PIA is calculated based on certain assumptions specified by statute, and an assumed Social Security retirement age of 65. If retirement occurs prior to age 65, benefit amount is adjusted by an actuarial equivalent factor (see Sample Plan Age Factors).

APCD members:

$2\% \times \text{Final Compensation} \times \text{APCD Age Factor} \times \text{Years of Service}$. (31676.15)

Safety members:

$3\% \times \text{Final Compensation} \times \text{Safety Age Factor} \times \text{Years of service}$. (31664.2)

Age Factors are higher for Plans 6A and 6B

(31664.1)

Age Factors by Plan

Code Section:	<u>General</u>	<u>APCD</u>	<u>Safety</u>	
	31676.12	31676.15	Plan 4 31664.2	Plan 6 31664.1
Label:	2% @ 57	2% @ 55	3% @ 55	3% @ 50
Base:	2.00%	2.00%	3.00%	3.00%
Age				
41			0.4777	0.6258
42			0.5058	0.6625
43			0.5347	0.7004
44			0.5647	0.7397
45			0.5958	0.7805
46			0.6280	0.8226
47			0.6625	0.8678
48			0.6936	0.9085
49			0.7269	0.9522
50	0.6681	0.7454	0.7634	1.0000
51	0.7056	0.7882	0.8028	1.0000
52	0.7454	0.8346	0.8457	1.0000
53	0.7882	0.8850	0.8926	1.0000
54	0.8346	0.9399	0.9418	1.0000
55	0.8850	1.0000	1.0000	1.0000
56	0.9399	1.0447	1.0000	1.0000
57	1.0000	1.1048	1.0000	1.0000
58	1.0447	1.1686	1.0000	1.0000
59	1.1048	1.2365	1.0000	1.0000
60	1.1686	1.3093	1.0000	1.0000
61	1.2365	1.3608		
62	1.3093	1.4123		
63	1.3093	1.4638		
64	1.3093	1.5153		
65	1.3093	1.5668		

Maximum Allowance:

General Plan 2: The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of Final Compensation for a member with 35 or less years of service, and cannot exceed 80% of Final Compensation if service exceeds 35 years. (31486.4)

All other Plans: Allowance may not exceed 100% of Final Compensation.



SERVICE RETIREMENT ALLOWANCE (Continued)

Unmodified Retirement Allowance (Normal Form):

General Plan 2:	Life Annuity payable to retired member with 50% continuance to an eligible survivor (or eligible children).	(31486.6)
All other Plans:	Life Annuity payable to retired member with 60% continuance to an eligible survivor (or eligible children).	(31760.1)
Eligible survivor includes certain domestic partners.		(31780.2)

Optional Retirement Allowance:

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

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

A member may not revoke and name another beneficiary if the member elects Option 2, 3 or 4. (31782)

SERVICE RETIREMENT ALLOWANCE (Continued)

All Allowances: All allowances are made on a pro-rata basis (based on the number of days in that month) if not in effect for the entire month of retirement. (31600)

Death after Retirement:

General Plan 2: No benefit is payable upon death after retirement, other than in accordance with form of benefit allowance.

All other Plans: Upon a member's death after retirement, a special lump sum of \$5,000 is payable to an eligible survivor, or the member's estate. (31789.5)

SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility:

General Plan 2: Disability benefits not valued since provided outside of the retirement system. (31720, 31720.5,

All other Plans: Any age and length of service; disability must result from occupational injury or disease, and member must be permanently incapacitated for the performance of duty. (31720.6, 31720.7, 31720.9)

Monthly Allowance:

General Plan 2: Service retirement benefit payable at age 65 with service projected from disability until age 65. Prior to age 65, disability benefits are provided outside of retirement system.

All other Plans: Greater of (1) 50% of final compensation, and (2) the service retirement allowance, if eligible to retire. (31727.4)

Supplemental Disability Allowance:

APCD Members: Upon retirement for service disability, APCD members receive a monthly supplemental allowance of \$300. (31740)

Normal Form Of Payment:

General Plan 2: Service retirement benefit payable at age 65 with service projected from disability until age 65. Prior to age 65, disability benefits are provided outside of retirement system. (31760, 31786)

All other Plans: Life Annuity payable to retired member with 100% continuance to an eligible survivor (or eligible children).

Death after Retirement:

- General Plan 2: No benefit is payable upon death after retirement, other than in accordance with form of benefit allowance.
- All other Plans: Upon a member's death after retirement, a special lump sum of \$5,000 is payable to an eligible survivor, or the member's estate. (31789.5)

NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility:

- General Plan 2: Disability benefits not valued since provided outside of the retirement system.
- All other Plans: Any age with five (5) years of service and permanently incapacitated for the performance of duty. (31720)

Monthly Allowance:

- General Plan 2: Service retirement benefit payable at age 65 with service projected from disability until age 65. Prior to age 65, disability benefits are provided outside the retirement system.
- All other Plans: The monthly allowance is equal to a service retirement allowance if the member is eligible to retire and the service retirement allowance exceeds the benefits described below. (31727.1, 31727.2, 31727.3)
Otherwise, allowance equals (a) or (b) where:
(a) $90\% \times 1/50 \times \text{Final Compensation} \times \text{years of service}$, if member must rely on service in another retirement system in order to be eligible to retire, or allowance exceeds 1/3 of final compensation.
(b) $90\% \times 1/50 \times \text{Final Compensation} \times \text{Projected Service}$, not to exceed 1/3 of Final Compensation.

Projected Service:

- General Members: Age 62 (31727.1,
APCD Members: Age 65 31727.2,
Safety Members: Age 55 31727.3)

Supplemental Monthly Disability Retirement:

- APCD Members: Upon retirement for service disability, APCD members receive a monthly supplemental allowance of \$300. (31740)

Normal Form Of Payment:

General Plan 2:	Service retirement benefit payable at age 65 with service projected from disability until age 65. Prior to age 65, disability benefits are provided outside of retirement system.	
All other Plans:	Life Annuity with 60% continuance to a surviving spouse (or eligible children).	(31760.1)

Death after Retirement:

General Plan 2:	No benefit is payable upon death after retirement, other than in accordance with form of benefit allowance.	
All other Plans:	Upon a member's death after retirement, a special lump sum of \$5,000 is payable to an eligible survivor, or the member's estate.	(31789.5)

SERVICE-CONNECTED DEATH BENEFITS

Eligibility:

All Plans:	Active members who die in service as a result of injury or disease arising out of and in the course of employment.	(31486.7, 31787)
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Monthly Allowance:

General Plan 2:	A lump sum is payable to an eligible survivor equal to $1/12 \times$ final 12 months Salary \times years of service (up to max of 6 years).	(31781)
All other Plans:	A monthly allowance is payable to an eligible survivor equal to the greater of the Member's Service Retirement Allowance (if he is eligible for service Retirement at his date of death), and (b) $50\% \times$ Final Compensation.	(31787)

Supplemental Monthly Death Benefit:

APCD Members:	Eligible survivors of an active members who dies while employed with at least 18 months continuous service immediately prior to death, shall receive a supplemental monthly allowance. The amount of the supplemental allowance is based on the family demographics of the beneficiaries.	(31855.11, 31855.12)
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NONSERVICE-CONNECTED DEATH BENEFITS

Eligibility:

All Plans: Active members who die while in service but not as a result of injury or disease arising out of and in the course of employment. (31486.7, 31780)

Monthly Allowance:

General Plan 2: A lump sum is payable to an eligible survivor equal to $1/12 \times$ final 12 months Salary \times years of service (up to maximum of 6 years). (31781)

All other Plans: If an active member is eligible for Non-Service Connected Disability at his date of death, then a monthly allowance is payable to an eligible survivor equal to 60% \times the member's allowance. Otherwise, the benefit is a refund of contributions plus a lump sum equal to $1/12 \times$ final 12 months Salary \times years of service (up to maximum of 6 years). (31787)

Supplemental Monthly Death Benefit:

APCD Members: Eligible survivors of an active members who dies while employed with at least 18 months continuous service immediately prior to death, shall receive a supplemental monthly allowance. The amount of the supplemental allowance is based on the family demographics of the beneficiaries. (31855.11, 31855.12)

DEFERRED VESTED BENEFITS

Eligibility:

- General Plan 2: The member must have terminated with 10 years of service. (31700)
Members are eligible for service retirement when they reach service retirement eligibility (based on years of service at termination plus reciprocal service, if any).
- All other Plans: Member contributions must be left on deposit and the member (31700, 31701,
must have terminated with five (5) years of service or entered a 31702)
reciprocal agency. Members are eligible for service retirement when they reach service retirement eligibility (based on years of service at termination plus reciprocal service, if any).

Monthly Allowance:

- General Plan 2: Same as service retirement allowance at normal retirement age 65 or in an actuarially equivalent reduced amount at early retirement, after age 55.
- All other Plans: Same as service retirement allowance; payable anytime after (31703, 31704,
the member would have been eligible for service retirement. 31705)

COST-OF-LIVING INCREASES

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

All Plans (excluding General Plan 2): Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase. (31870.1)

General Plan 2: General Plan 2 does not have a COLA.

COLA Bank:

All Plans (excluding General Plan 2): When the CPI exceeds the applicable percentage, the difference between the actual CPI and the maximum cost-of-living increase given in any year is credited to the COLA Accumulation (COLA Bank). It may be used in future years to provide cost-of-living increases when the CPI falls below the applicable percentage. (31874, 31874.1, 31874.2, 31874.3)

General Plan 2: General Plan 2 does not have a COLA and, therefore, does not have a COLA Bank.

Santa Barbara County Employees' Retirement System

Appendix C: Valuation Data and Schedules



Data on SBCERS membership as of June 30, 2010 was supplied to us by the system staff. On the following tables, Exhibit C-1a and C-1b, we present summaries of SBCERS membership at June 30, 2010 for active members. Similar information is shown in Exhibit C-2 for deferred vested members and Exhibits C-3a and C-3b for retired members.

Note that the compensation amounts shown are the total prior year earnings, adjusted for one-half year of expected salary increases.

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

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

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

Exhibits C-4 and C-5 are shown for all members combined as well as for each class separately.

Exhibit C-6 displays the reconciliation of system membership categories since the previous valuation.

**Santa Barbara County Employees'
Retirement System**

Exhibit C-1a: SBCERS Membership – Active Members as of June 30, 2010

	<u>Total Number</u>	<u>Annual Compensation</u>	<u>Average Age</u>	<u>Average Monthly Compensation</u>	<u>Average Vesting Service</u>
General Members					
Plan 5A	879	\$ 65,384,928	52.2	\$6,199	21.1
Plan 5B	465	\$ 43,745,013	45.2	\$7,840	6.6
Plan 5C	1,905	\$ 114,070,593	43.0	\$4,990	7.1
Plan 2	12	\$ 794,584	52.0	\$5,518	23.5
Total	<u>3,261</u>	<u>\$ 223,995,118</u>	<u>45.8</u>	<u>\$5,724</u>	<u>10.8</u>
Safety Members					
Plan 4A	104	\$ 11,388,831	49.2	\$9,126	20.3
Plan 4B	12	\$ 1,422,973	47.4	\$9,882	18.5
Plan 4C	341	\$ 26,145,012	40.1	\$6,389	9.1
Plan 6A	148	\$ 14,705,745	47.8	\$8,280	21.2
Plan 6B	316	\$ 26,132,937	38.2	\$6,892	7.7
Total	<u>921</u>	<u>\$ 79,795,497</u>	<u>41.8</u>	<u>\$7,220</u>	<u>12.0</u>
APCD Members					
Plan 1	26	\$ 2,266,878	54.6	\$7,266	21.3
Plan 2	20	\$ 1,448,635	43.7	\$6,036	6.6
Total	<u>46</u>	<u>\$ 3,715,512</u>	<u>49.8</u>	<u>\$6,731</u>	<u>14.9</u>
Grand Total	4,228	\$ 307,506,128	45.0	\$6,061	11.1

Santa Barbara County Employees' Retirement System

Exhibit C-1b: Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll	Average Annual Salary	Increase in Average Pay
June 30, 2003	General	3,648	\$ 193,102,000	\$ 52,934	10.1%
	Safety	925	\$ 64,135,000	69,335	13.4%
	Total	4,573	257,237,000	56,251	10.8%
June 30, 2004	General	3,559	\$ 199,365,000	\$ 56,017	5.8%
	Safety	944	\$ 67,596,000	71,606	3.3%
	Total	4,503	266,961,000	59,285	5.4%
June 30, 2005	General	3,558	\$ 199,371,000	\$ 56,035	0.0%
	Safety	947	\$ 68,414,000	72,243	0.9%
	Total	4,505	267,785,000	59,442	0.3%
June 30, 2006	General	3,658	\$ 214,405,000	\$ 58,613	4.6%
	Safety	982	\$ 72,977,000	74,315	2.9%
	Total	4,640	287,382,000	61,936	4.2%
June 30, 2007	General	3,569	\$ 214,717,000	\$ 60,162	2.6%
	APCD	53	\$ 3,940,000	74,340	N/A
	Safety	1,003	\$ 75,506,000	75,280	1.3%
	Total	4,625	294,163,000	63,603	2.7%
June 30, 2008	General	3,552	\$ 226,426,000	\$ 63,746	6.0%
	APCD	48	\$ 3,608,000	75,167	1.1%
	Safety	1,006	\$ 77,230,000	76,769	2.0%
	Total	4,606	307,264,000	66,710	4.9%
June 30, 2009	General	3,450	\$ 223,831,000	\$ 64,879	1.8%
	APCD	50	\$ 3,955,000	79,100	5.2%
	Safety	967	\$ 79,596,000	82,312	7.2%
	Total	4,467	307,382,000	68,812	3.2%
June 30, 2010	General	3,261	\$ 223,995,000	\$ 68,689	5.9%
	APCD	46	\$ 3,716,000	80,783	2.1%
	Safety	921	\$ 79,795,000	86,640	5.3%
	Total	4,228	307,506,000	72,731	5.7%

**Santa Barbara County Employees'
Retirement System**

Exhibit C-2: SBCERS Membership – Deferred Vested Members as of June 30, 2010

	Number	Average Age
<i>General Members</i>		
Plan 5A	319	51.3
Plan 5B	480	44.8
Plan 5C	146	41.1
Plan 2	29	52.3
Total	974	46.6
<i>Safety Members</i>		
Plan 4A	7	44.7
Plan 4B	61	41.1
Plan 4C	37	37.6
Plan 4D	8	38.8
Plan 6A	64	48.8
Plan 6B	15	37.0
Total	192	42.7
<i>APCD Members</i>		
Plan 1	12	49.2
Plan 2	3	46.7
Total	15	48.7
<i>Grand Total</i>	1,181	46.0

**Santa Barbara County Employees'
Retirement System**

Exhibit C-3a: SBCERS Membership – Retired Members as of June 30, 2010

	<u>Number</u>	<u>Average Age</u>	<u>Monthly Allowance</u>	<u>Average Monthly Benefit</u>
General Members				
Plan 5A	928	63.3	\$ 2,754,286	\$ 2,968
Plan 5B	150	63.5	\$ 186,851	1,246
Plan 5C	58	61.3	\$ 80,539	1,389
Plan 2	41	71.3	\$ 26,445	645
Other	1,371	77.0	\$ 2,214,057	1,615
Total	2,548	70.8	\$ 5,262,177	\$ 2,065
Safety Members				
Plan 4A	192	60.7	\$ 1,219,075	\$ 6,349
Plan 4B	77	61.4	\$ 304,432	\$ 3,954
Plan 4C	28	59.1	\$ 75,434	\$ 2,694
Plan 4D	2	55.0	\$ 6,595	\$ 3,298
Plan 6A	81	55.2	\$ 484,946	\$ 5,987
Plan 6B	3	58.0	\$ 7,487	\$ 2,496
Other	359	70.0	\$ 1,315,743	\$ 3,665
Total	742	64.6	\$ 3,413,712	\$ 4,601
APCD Members				
Plan 1	24	61.5	\$ 65,596	\$ 2,733
Plan 2	4	62.5	\$ 6,747	\$ 1,687
Total	28	61.7	\$ 72,343	\$ 2,584
Grand Total	3,318	69.3	\$ 8,748,232	\$ 2,637

**Santa Barbara County Employees'
Retirement System**

**Exhibit C-3b: SBCERS Membership – Retired Members as of June 30, 2010
Subtotaled by Class and Retirement Type**

	<u>Number</u>	<u>Monthly Allowance</u>	<u>Average Monthly Benefit</u>
<i>General Members</i>			
Healthy	2,056	\$ 4,583,059	\$ 2,229
Disabled	127	\$ 239,660	\$ 1,887
Beneficiaries	365	\$ 439,457	\$ 1,204
Total	<u>2,548</u>	<u>\$ 5,262,177</u>	<u>\$ 2,065</u>
<i>Safety Members</i>			
Healthy	554	\$ 2,869,855	\$ 5,180
Disabled	122	\$ 380,495	\$ 3,119
Beneficiaries	66	\$ 163,362	\$ 2,475
Total	<u>742</u>	<u>\$ 3,413,712</u>	<u>\$ 4,601</u>
<i>APCD Members</i>			
Healthy	27	\$ 70,409	\$ 2,608
Disabled	-	\$ -	\$ -
Beneficiaries	1	\$ 1,934	\$ 1,934
Total	<u>28</u>	<u>\$ 72,343</u>	<u>\$ 2,584</u>
<i>Grand Total</i>	3,318	\$ 8,748,232	\$ 2,637

Santa Barbara County Employees' Retirement System

**Exhibit C-4: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2010
All Members**

Count										
Age	Years of Vesting Service									Total Count
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	8	32	-	-	-	-	-	-	-	40
25-29	27	240	45	-	-	-	-	-	-	312
30-34	31	232	168	33	-	-	-	-	-	464
35-39	15	145	200	181	34	-	-	-	-	575
40-44	13	135	163	165	107	32	-	-	-	615
45-49	13	118	112	136	120	113	33	-	-	645
50-54	14	96	108	130	108	113	87	28	1	685
55-59	6	81	93	93	88	83	61	39	3	547
60-64	6	36	59	58	39	31	20	18	7	274
65 & Over	3	9	14	24	6	6	5	1	3	71
Total Count	136	1,124	962	820	502	378	206	86	14	4,228

Compensation										
Age	Years of Vesting Service									Average Comp.
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	46,135	50,268	-	-	-	-	-	-	-	49,441
25-29	48,114	58,644	62,650	-	-	-	-	-	-	58,311
30-34	55,413	61,909	65,573	67,823	-	-	-	-	-	63,222
35-39	50,418	68,155	70,302	76,334	68,241	-	-	-	-	71,019
40-44	89,408	70,471	71,014	73,910	70,819	83,149	-	-	-	72,658
45-49	91,910	69,704	69,281	74,484	75,042	81,775	91,960	-	-	75,332
50-54	90,437	72,920	76,011	67,285	75,933	86,196	89,865	83,170	83,902	77,948
55-59	52,840	82,512	72,597	71,005	81,952	82,688	78,129	90,879	108,774	78,733
60-64	104,169	81,952	63,153	79,737	72,338	80,823	99,978	89,747	89,054	78,435
65 & Over	41,906	95,992	88,737	84,822	90,697	66,809	71,728	212,149	51,568	83,637
Avg. Annual Compensation	64,950	66,873	69,812	73,647	75,061	83,097	87,267	89,542	84,879	72,731



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Santa Barbara County Employees' Retirement System

**Exhibit C-4a: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2010
General Members**

Count											
Age	Years of Service									Total Count	
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over		
Under 25	8	27	-	-	-	-	-	-	-	-	35
25-29	25	171	31	-	-	-	-	-	-	-	227
30-34	30	160	104	22	-	-	-	-	-	-	316
35-39	15	119	138	107	23	-	-	-	-	-	402
40-44	13	111	122	112	69	16	-	-	-	-	443
45-49	13	107	97	108	83	67	20	-	-	-	495
50-54	12	86	101	114	87	79	61	18	1	559	
55-59	5	71	83	80	81	66	50	34	1	471	
60-64	6	32	56	53	33	28	17	16	5	246	
65 & Over	3	8	14	22	6	6	4	1	3	67	
Total Count	130	892	746	618	382	262	152	69	10	3,261	

Compensation											
Age	Years of Service									Average Comp.	
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over		
Under 25	46,135	45,765	-	-	-	-	-	-	-	-	45,849
25-29	46,350	52,739	54,700	-	-	-	-	-	-	-	52,303
30-34	55,647	56,818	57,259	59,390	-	-	-	-	-	-	57,031
35-39	50,418	65,471	63,622	68,009	61,321	-	-	-	-	-	64,713
40-44	89,408	69,063	65,906	68,018	61,915	67,359	-	-	-	-	67,352
45-49	91,910	69,576	67,654	71,739	70,595	70,321	73,859	-	-	-	70,703
50-54	81,685	69,558	76,277	66,084	74,557	79,156	81,423	68,683	83,902	73,751	
55-59	44,056	81,163	72,167	70,109	79,767	77,978	69,952	88,220	67,804	75,911	
60-64	104,169	82,460	61,793	80,314	71,931	79,731	102,078	88,748	62,025	77,449	
65 & Over	41,906	95,472	88,737	86,452	90,697	66,809	67,014	212,149	51,568	83,787	
Avg. Annual Compensation	63,553	64,343	66,260	69,984	71,747	75,659	78,586	85,042	61,653	68,689	



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Santa Barbara County Employees' Retirement System

**Exhibit C-4b: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2010
Safety Members**

Count										
Age	Years of Service									Total Count
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	-	5	-	-	-	-	-	-	-	5
25-29	1	66	14	-	-	-	-	-	-	81
30-34	-	70	63	11	-	-	-	-	-	144
35-39	-	26	62	73	11	-	-	-	-	172
40-44	-	23	40	53	38	16	-	-	-	170
45-49	-	11	14	27	33	44	13	-	-	142
50-54	2	10	7	15	20	31	25	10	-	120
55-59	1	10	6	13	6	12	9	5	2	64
60-64	-	3	3	4	3	1	3	2	2	21
65 & Over	-	1	-	1	-	-	-	-	-	2
Total Count	4	225	209	197	111	104	50	17	4	921

Compensation										
Age	Years of Service									Average Comp.
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	-	74,584	-	-	-	-	-	-	-	74,584
25-29	80,337	73,762	80,252	-	-	-	-	-	-	74,965
30-34	-	73,275	79,533	84,687	-	-	-	-	-	76,884
35-39	-	80,440	85,169	87,983	82,709	-	-	-	-	85,491
40-44	-	77,040	85,902	86,360	86,985	98,938	-	-	-	86,315
45-49	-	70,952	78,975	86,707	85,757	99,447	119,807	-	-	91,481
50-54	142,950	101,831	72,181	75,718	81,625	102,653	109,838	109,246	-	96,653
55-59	96,761	92,095	80,398	76,520	107,384	102,816	119,415	108,961	129,260	97,672
60-64	-	73,558	88,538	72,216	77,862	95,126	88,076	97,736	156,629	89,373
65 & Over	-	100,150	-	84,275	-	-	-	-	-	92,213
Avg. Annual Compensation	115,750	76,775	82,343	85,158	86,086	100,671	112,848	107,808	142,944	86,640



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Santa Barbara County Employees' Retirement System

**Exhibit C-4c: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2010
APCD Members**

Age	Years of Service									Total Count
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	-	-	-	-	-	-	-	-	-	-
25-29	1	3	-	-	-	-	-	-	-	4
30-34	1	2	1	-	-	-	-	-	-	4
35-39	-	-	-	1	-	-	-	-	-	1
40-44	-	1	1	-	-	-	-	-	-	2
45-49	-	-	1	1	4	2	-	-	-	8
50-54	-	-	-	1	1	3	1	-	-	6
55-59	-	-	4	-	1	5	2	-	-	12
60-64	-	1	-	1	3	2	-	-	-	7
65 & Over	-	-	-	1	-	-	1	-	-	2
Total Count	2	7	7	5	9	12	4	-	-	46

Age	Years of Service									Average Comp.
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	-	-	-	-	-	-	-	-	-	-
25-29	59,982	62,668	-	-	-	-	-	-	-	61,996
30-34	48,376	71,390	50,733	-	-	-	-	-	-	60,472
35-39	-	-	-	116,598	-	-	-	-	-	116,598
40-44	-	75,617	98,588	-	-	-	-	-	-	87,102
45-49	-	-	91,345	41,004	78,917	76,664	-	-	-	75,168
50-54	-	-	-	77,662	81,892	101,516	105,516	-	-	94,936
55-59	-	-	69,818	-	106,354	96,540	96,755	-	-	88,486
60-64	-	90,876	-	79,282	71,291	88,950	-	-	-	80,276
65 & Over	-	-	-	49,521	-	-	90,582	-	-	70,052
Avg. Annual Compensation	54,179	71,039	74,277	72,813	79,754	93,206	97,402	-	-	80,772



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. **C-10**

Santa Barbara County Employees' Retirement System

Exhibit C-5: Distribution of Retired Members by Age and Retirement Year as of June 30, 2010 All Members

Age	Benefit Effective Date								Total Count	Average Monthly Benefit
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-10		
Under 35	-	-	-	-	-	3	4	6	13	\$ 883
35-39	-	-	-	-	-	1	2	-	3	2,294
40-44	-	-	-	-	2	3	3	3	11	1,893
45-49	-	-	-	-	-	2	9	13	24	2,034
50-54	-	-	-	1	1	17	15	151	185	2,153
55-59	-	1	3	3	1	9	74	257	348	3,058
60-64	1	4	2	5	5	69	177	379	642	3,462
65-69	2	10	7	6	31	144	214	226	640	3,248
70-74	4	15	12	26	76	123	134	62	452	2,451
75-79	6	8	21	42	74	94	54	27	326	2,055
80-84	5	23	42	65	76	35	30	31	307	1,865
85-89	13	42	40	52	24	16	17	15	219	1,578
90-94	10	26	33	12	3	3	13	10	110	1,469
95-99	10	11	6	1	-	2	2	-	32	935
100 & Over	2	3	-	-	-	-	-	1	6	1,460
Total Count	53	143	166	213	293	521	748	1,181	3,318	
Avg Monthly Benefit	\$ 1,614	\$ 1,329	\$ 1,692	\$ 2,111	\$ 2,271	\$ 2,399	\$ 2,791	\$ 3,166		\$ 2,637



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. **C-11**

Santa Barbara County Employees' Retirement System

**Exhibit C-5a: Distribution of Retired Members by Age and Retirement Year as of June 30, 2010
General Members**

Age	Benefit Effective Date								Total Count	Average Monthly Benefit
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-10		
Under 35	-	-	-	-	-	3	4	3	10	\$ 743
35-39	-	-	-	-	-	1	1	-	2	1,651
40-44	-	-	-	-	2	1	1	2	6	1,058
45-49	-	-	-	-	-	2	6	7	15	1,528
50-54	-	-	-	1	1	11	10	81	104	1,201
55-59	-	1	1	1	1	7	52	164	227	1,652
60-64	-	1	-	3	2	53	109	311	479	2,818
65-69	-	2	2	3	18	79	152	198	454	2,561
70-74	-	2	2	16	57	90	122	56	345	2,069
75-79	4	5	16	32	60	84	49	24	274	1,814
80-84	1	19	38	63	75	32	25	29	282	1,778
85-89	6	40	39	51	23	16	17	15	207	1,513
90-94	7	24	33	12	3	3	13	10	105	1,389
95-99	10	11	6	1	-	2	2	-	32	935
100 & Over	2	3	-	-	-	-	-	1	6	1,460
Total Count	30	108	137	183	242	384	563	901	2,548	
Avg Monthly Benefit	\$ 1,177	\$ 1,058	\$ 1,484	\$ 1,883	\$ 1,883	\$ 1,642	\$ 2,090	\$ 2,554		\$ 2,065



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. **C-12**

Santa Barbara County Employees' Retirement System

Exhibit C-5b: Distribution of Retired Members by Age and Retirement Year as of June 30, 2010 Safety Members

Age	Benefit Effective Date								Total Count	Average Monthly Benefit
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-10		
Under 35	-	-	-	-	-	-	-	3	3	\$ 1,352
35-39	-	-	-	-	-	-	1	-	1	3,579
40-44	-	-	-	-	-	2	2	1	5	2,896
45-49	-	-	-	-	-	-	3	6	9	2,878
50-54	-	-	-	-	-	6	5	63	74	3,536
55-59	-	-	2	2	-	2	21	88	115	5,857
60-64	1	3	2	2	3	16	65	65	157	5,421
65-69	2	8	5	3	13	65	62	25	183	4,966
70-74	4	13	10	10	19	33	9	4	102	3,715
75-79	2	3	5	10	14	10	5	3	52	3,325
80-84	4	4	4	2	1	3	4	2	24	2,948
85-89	7	2	1	1	1	-	-	-	12	2,698
90-94	3	2	-	-	-	-	-	-	5	3,163
95-99	-	-	-	-	-	-	-	-	-	-
100 & Over	-	-	-	-	-	-	-	-	-	-
Total Count	23	35	29	30	51	137	177	260	742	
Avg Monthly Benefit	\$ 2,183	\$ 2,167	\$ 2,673	\$ 3,498	\$ 4,113	\$ 4,520	\$ 5,047	\$ 5,319		\$ 4,601



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. **C-13**

Santa Barbara County Employees' Retirement System

**Exhibit C-5c: Distribution of Retired Members by Age and Retirement Year as of June 30, 2010
APCD Members**

Age	Benefit Effective Date								Total Count	Average Monthly Benefit	
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-10			
Under 35	-	-	-	-	-	-	-	-	-	-	\$ -
35-39	-	-	-	-	-	-	-	-	-	-	-
40-44	-	-	-	-	-	-	-	-	-	-	-
45-49	-	-	-	-	-	-	-	-	-	-	-
50-54	-	-	-	-	-	-	-	-	7	7	1,664
55-59	-	-	-	-	-	-	-	1	5	6	2,614
60-64	-	-	-	-	-	-	-	3	3	6	3,676
65-69	-	-	-	-	-	-	-	-	3	3	2,480
70-74	-	-	-	-	-	-	-	3	2	5	3,023
75-79	-	-	-	-	-	-	-	-	-	-	-
80-84	-	-	-	-	-	-	-	1	-	1	398
85-89	-	-	-	-	-	-	-	-	-	-	-
90-94	-	-	-	-	-	-	-	-	-	-	-
95-99	-	-	-	-	-	-	-	-	-	-	-
100 & Over	-	-	-	-	-	-	-	-	-	-	-
Total Count	-	-	-	-	-	-	-	8	20	28	
Avg Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,220	\$ 2,729		\$ 2,584



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. **C-14**

Santa Barbara County Employees' Retirement System

Exhibit C-6: Reconciliation of System Membership Since Prior Valuation

	Actives	Vested Terms	Terms with Contributions on Deposit	Retirees ⁽¹⁾	Disabilities	Beneficiaries	Total
Total Record Count as of July 1, 2009	4,467	906	248	2,430	250	437	8,738
New Members	124						124
Rehired Non-Vested Members	10		(1)				9
Rehired Vested Members	5	(2)		(2)			1
Non-Vested Terms - Contributions on Deposit	(61)	(1)	62				-
Vested Terms	(59)	64	(5)				-
Service Retirements	(182)	(61)		243			-
Retirement Disabilities	(2)	-		(1)	3		-
New Beneficiaries	-					31	31
Deaths	(4)			(57)	(5)	(35)	(101)
Refund of Contributions	(70)	(8)	(36)				(114)
Other Status Transfers		6	11				17
Data Adjustments		(2)		24			22
Subtotal of Net Changes from 2009 to 2010	(239)	(4)	31	207	(2)	(4)	(11)
Total Record Count as of July 1, 2010	4,228	902	279	2,637	248	433	8,727

⁽¹⁾ Retiree count includes duplicate records for members being both Service Retirement and Continuance benefits as well as members being paid benefits from multiple plans.



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. **C-15**

Santa Barbara County Employees' Retirement System

Appendix D: Member Contribution Rates



This section illustrates the member contribution rates by plan, tier and entry age.

**Santa Barbara County Employees'
Retirement System**

**Exhibit D-1
New Rates**

Based on June 30, 2010 Actuarial Valuation

Member Contribution Rates

Entry Age	General			APCD		Safety		
	5A	5B	5C	1	2	4A & 6A	4B	4C & 6B
16	2.60%	5.19%	2.50%	3.07%	6.15%	4.83%	9.66%	4.63%
17	2.60%	5.19%	2.50%	3.07%	6.15%	4.83%	9.66%	4.63%
18	2.60%	5.19%	2.50%	3.07%	6.15%	4.83%	9.66%	4.63%
19	2.60%	5.19%	2.50%	3.07%	6.15%	4.83%	9.66%	4.63%
20	2.60%	5.19%	2.50%	3.07%	6.15%	4.83%	9.66%	4.63%
21	2.66%	5.31%	2.55%	3.14%	6.28%	4.93%	9.86%	4.73%
22	2.72%	5.43%	2.61%	3.21%	6.42%	5.03%	10.06%	4.83%
23	2.78%	5.55%	2.67%	3.28%	6.56%	5.13%	10.26%	4.92%
24	2.84%	5.67%	2.73%	3.35%	6.71%	5.24%	10.48%	5.03%
25	2.90%	5.80%	2.79%	3.43%	6.86%	5.35%	10.69%	5.13%
26	2.97%	5.93%	2.85%	3.50%	7.01%	5.45%	10.91%	5.23%
27	3.03%	6.06%	2.91%	3.58%	7.16%	5.56%	11.13%	5.34%
28	3.10%	6.19%	2.98%	3.66%	7.31%	5.68%	11.35%	5.44%
29	3.17%	6.33%	3.04%	3.74%	7.47%	5.79%	11.58%	5.55%
30	3.24%	6.47%	3.11%	3.81%	7.63%	5.90%	11.80%	5.65%
31	3.31%	6.61%	3.18%	3.89%	7.79%	6.01%	12.03%	5.76%
32	3.38%	6.75%	3.25%	3.98%	7.95%	6.13%	12.26%	5.87%
33	3.45%	6.90%	3.32%	4.06%	8.11%	6.25%	12.49%	5.98%
34	3.53%	7.05%	3.39%	4.14%	8.28%	6.36%	12.73%	6.09%
35	3.60%	7.20%	3.46%	4.22%	8.45%	6.48%	12.96%	6.20%
36	3.68%	7.35%	3.53%	4.31%	8.62%	6.60%	13.20%	6.32%
37	3.75%	7.50%	3.60%	4.40%	8.79%	6.72%	13.44%	6.43%
38	3.83%	7.66%	3.68%	4.48%	8.97%	6.84%	13.68%	6.54%
39	3.91%	7.81%	3.75%	4.57%	9.15%	6.97%	13.93%	6.66%
40	3.99%	7.97%	3.83%	4.66%	9.32%	7.09%	14.18%	6.78%
41	4.07%	8.13%	3.90%	4.75%	9.50%	7.22%	14.44%	6.90%
42	4.15%	8.30%	3.98%	4.84%	9.68%	7.35%	14.70%	7.02%
43	4.23%	8.46%	4.06%	4.93%	9.86%	7.48%	14.96%	7.14%
44	4.32%	8.63%	4.14%	5.02%	10.05%	7.62%	15.23%	7.27%
45	4.40%	8.80%	4.22%	5.12%	10.23%	7.75%	15.51%	7.39%
46	4.48%	8.96%	4.29%	5.21%	10.43%	7.89%	15.78%	7.51%
47	4.57%	9.13%	4.37%	5.31%	10.62%	8.03%	16.06%	7.63%
48	4.65%	9.30%	4.45%	5.40%	10.81%	8.17%	16.34%	7.73%
49	4.74%	9.48%	4.53%	5.49%	10.98%	8.29%	16.58%	7.81%
50	4.83%	9.65%	4.62%	5.57%	11.14%	8.40%	16.79%	7.86%
51	4.92%	9.84%	4.70%	5.63%	11.27%	8.47%	16.94%	7.87%
52	5.01%	10.02%	4.77%	5.67%	11.35%	8.50%	17.01%	7.87%
53	5.10%	10.20%	4.85%	5.69%	11.38%	8.50%	17.01%	8.13%
54	5.18%	10.36%	4.91%	5.69%	11.38%	8.50%	17.01%	8.43%
55	5.26%	10.51%	4.95%	5.69%	11.38%	8.50%	17.01%	8.43%
56	5.32%	10.63%	4.98%	5.69%	11.38%	8.50%	17.01%	8.43%
57	5.36%	10.71%	4.98%	5.69%	11.38%	8.50%	17.01%	8.43%
58	5.37%	10.73%	5.16%	5.69%	11.38%	8.50%	17.01%	8.43%
59	5.37%	10.73%	5.35%	5.69%	11.38%	8.50%	17.01%	8.43%
60	5.37%	10.73%	5.35%	5.69%	11.38%	8.50%	17.01%	8.43%

Assumptions:

Interest: 7.75%
 Salary: 2010 Valuation Scale (Service Based)
 Unisex Mortality: General, Safety, and APCD - RP 2000 Projected to 2010 with Scale AA (Male, Setback 4 years)



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**Santa Barbara County Employees'
Retirement System**

**Exhibit D-2
Old Rates**

Based on June 30, 2009 Actuarial Valuation

Member Contribution Rates

Entry Age	General			APCD		Safety		
	5A	5B	5C	1	2	4A & 6A	4B	4C & 6B
16	2.39%	4.77%	2.29%	2.84%	5.68%	4.47%	8.93%	4.28%
17	2.39%	4.77%	2.29%	2.84%	5.68%	4.47%	8.93%	4.28%
18	2.39%	4.77%	2.29%	2.84%	5.68%	4.47%	8.93%	4.28%
19	2.39%	4.77%	2.29%	2.84%	5.68%	4.47%	8.93%	4.28%
20	2.39%	4.77%	2.29%	2.84%	5.68%	4.47%	8.93%	4.28%
21	2.45%	4.89%	2.35%	2.91%	5.82%	4.56%	9.13%	4.37%
22	2.50%	5.00%	2.40%	2.98%	5.95%	4.66%	9.32%	4.46%
23	2.56%	5.12%	2.46%	3.04%	6.09%	4.76%	9.52%	4.56%
24	2.62%	5.24%	2.51%	3.11%	6.23%	4.86%	9.73%	4.66%
25	2.68%	5.36%	2.57%	3.19%	6.37%	4.97%	9.94%	4.76%
26	2.74%	5.48%	2.63%	3.26%	6.52%	5.07%	10.15%	4.86%
27	2.81%	5.61%	2.69%	3.33%	6.67%	5.18%	10.36%	4.96%
28	2.87%	5.74%	2.75%	3.41%	6.82%	5.29%	10.58%	5.06%
29	2.94%	5.87%	2.82%	3.48%	6.97%	5.40%	10.80%	5.16%
30	3.01%	6.01%	2.88%	3.56%	7.12%	5.51%	11.02%	5.27%
31	3.07%	6.14%	2.95%	3.64%	7.28%	5.62%	11.24%	5.37%
32	3.14%	6.28%	3.01%	3.72%	7.44%	5.73%	11.47%	5.48%
33	3.21%	6.42%	3.08%	3.80%	7.60%	5.85%	11.69%	5.58%
34	3.29%	6.57%	3.15%	3.88%	7.76%	5.96%	11.92%	5.69%
35	3.36%	6.71%	3.22%	3.96%	7.92%	6.08%	12.15%	5.80%
36	3.43%	6.86%	3.29%	4.04%	8.09%	6.19%	12.39%	5.91%
37	3.51%	7.01%	3.36%	4.13%	8.26%	6.31%	12.62%	6.02%
38	3.58%	7.16%	3.43%	4.21%	8.43%	6.43%	12.86%	6.14%
39	3.66%	7.31%	3.50%	4.30%	8.60%	6.55%	13.10%	6.25%
40	3.74%	7.47%	3.58%	4.39%	8.78%	6.67%	13.35%	6.37%
41	3.81%	7.62%	3.65%	4.48%	8.95%	6.80%	13.60%	6.48%
42	3.89%	7.78%	3.73%	4.56%	9.13%	6.93%	13.86%	6.60%
43	3.98%	7.95%	3.80%	4.65%	9.31%	7.06%	14.12%	6.73%
44	4.06%	8.11%	3.88%	4.74%	9.49%	7.19%	14.38%	6.85%
45	4.14%	8.27%	3.96%	4.84%	9.67%	7.33%	14.65%	6.97%
46	4.22%	8.44%	4.03%	4.93%	9.86%	7.46%	14.93%	7.09%
47	4.31%	8.61%	4.11%	5.03%	10.05%	7.60%	15.20%	7.20%
48	4.39%	8.77%	4.19%	5.12%	10.24%	7.74%	15.47%	7.30%
49	4.47%	8.94%	4.27%	5.21%	10.41%	7.86%	15.72%	7.39%
50	4.56%	9.12%	4.35%	5.28%	10.57%	7.96%	15.93%	7.44%
51	4.65%	9.29%	4.43%	5.35%	10.69%	8.04%	16.08%	7.45%
52	4.74%	9.47%	4.50%	5.39%	10.78%	8.08%	16.15%	7.45%
53	4.83%	9.65%	4.58%	5.41%	10.81%	8.08%	16.15%	7.71%
54	4.91%	9.81%	4.64%	5.41%	10.81%	8.08%	16.15%	8.02%
55	4.98%	9.96%	4.68%	5.41%	10.81%	8.08%	16.15%	8.02%
56	5.04%	10.08%	4.71%	5.41%	10.81%	8.08%	16.15%	8.02%
57	5.08%	10.16%	4.71%	5.41%	10.81%	8.08%	16.15%	8.02%
58	5.10%	10.19%	4.90%	5.41%	10.81%	8.08%	16.15%	8.02%
59	5.10%	10.19%	5.10%	5.41%	10.81%	8.08%	16.15%	8.02%
60	5.10%	10.19%	5.10%	5.41%	10.81%	8.08%	16.15%	8.02%

Assumptions:

Interest: 8.16%

Salary: 2007 Valuation Scale (Service Based)

Unisex Mortality: General and APCD - RP 2000 (Male, Setback 4 years); Safety - RP 2000 (Male, Setback 3 years)



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Santa Barbara County Employees' Retirement System

Appendix E: Glossary



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

Accrued Benefit	The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.
Actuarial Accrued Liability	That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.
Actuarial Assumptions	Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.
Actuarial Gain (Loss)	A measure of the difference between actual experience and that expected based on a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.
Actuarial Present Value	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.
Actuarial Valuation	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.
Actuarial Value of Assets	The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.
Actuarially Equivalent	Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.
Amortization Payment	That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
COLA	Cost-of-living adjustment to benefit payments are made each April 1. See full description in Appendix B.

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