

**Santa Barbara County Employees'
Retirement System**

**ACTUARIAL VALUATION
June 30, 2007**



By

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February 20, 2008

Board of Retirement
Santa Barbara County Employees' Retirement System
3916 State Street, Suite 210
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Dear Members of the Board:

As requested, we have completed an Actuarial Valuation of the Santa Barbara County Employees Retirement System (SBCERS) as of June 30, 2007 for determining contributions beginning July 1, 2008. The major findings of the valuation are contained in this report. This report reflects the pension benefit provisions in effect as of June 30, 2007 but also includes the costs of the changes for the new Safety Plan 6A and 6B members effective February 25, 2008.

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. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

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 which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting Recommendations of the American Academy of Actuaries.

We further certify that 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 our best estimate of anticipated experience affecting the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. 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 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. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work product was prepared exclusively for SBCERS for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning SBCERS' operations, and uses SBCERS' data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

We would like to express our appreciation to Mr. Oscar Peters, Retirement Administrator and to members of his staff, who gave substantial assistance in supplying the data on which this report is based.

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

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

Sincerely,

Karen I. Steffen, FSA, EA, MAAA
Consulting Actuary

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

KIS/DRW/nlo

Santa Barbara County Employees' Retirement System

Table of Contents

	<i>Page</i>
Section 1: Summary of the Findings	1
Exhibit 1: Summary of Financial Impact on 6/30/2006 Valuation for all Pension Benefit Assumption Changes	8
Exhibit 2a: Summary of Significant Valuation Results.....	9
Exhibit 2b: Summary of Valuation Results	10
Section 2: Scope of the Report	11
Section 3: Assets.....	12
Exhibit 3: Statement of Plan Net Assets For the Years Ended June 30, 2006 and 2007....	16
Exhibit 4: Statement of Changes in Plan Net Assets For the Years Ended June 30, 2006 and 2007.....	17
Exhibit 5: Allocation of Assets by Accounting Reserve Amounts	18
Exhibit 6: Five-Year Smoothing of Gains and Losses on Market Value	19
Exhibit 7: Development of Valuation Assets.....	20
Exhibit 8: Allocation of Valuation Assets For the Year Ended June 30, 2007	21
Section 4: Actuarial Liabilities.....	22
Exhibit 9: Actuarial Balance Sheet – June 30, 2007	23
Exhibit 10: Calculated Employer Normal Cost Contribution Rates – June 30, 2007 All Members.....	26
Exhibit 10a: Calculated Employer Normal Cost Contribution Rates – June 30, 2007 General Members	27
Exhibit 10b: Calculated Employer Normal Cost Contribution Rates – June 30, 2007 Safety Members.....	28
Exhibit 10c: Calculated Employer Normal Cost Contribution Rates – June 30, 2007 APCD Members.....	29
Exhibit 11: Calculated UAAL Amount by Class – June 30, 2007 All Members	32
Exhibit 11a: UAAL Amortization Rates – June 30, 2007 General Members	33
Exhibit 11b: UAAL Amortization Rates – June 30, 2007 Safety Members.....	34
Exhibit 11c: UAAL Amortization Rates – June 30, 2007 APCD Members	35
Section 5: Member Contributions	36
Section 6: Employer Contributions.....	37
Exhibit 12: Total Employer Contributions All Members	39
Exhibit 12a: Total Employer Contributions General Members	40
Exhibit 12b: Total Employer Contributions Safety Members	41
Exhibit 12c: Total Employer Contributions APCD Members	42
Exhibit 13: Analysis of Change in Unfunded Actuarial Accrued Liability	43
Section 7: Information for Comprehensive Annual Financial Report.....	44
Exhibit 14: Schedule of Funding Progress	45
Exhibit 15: Schedule of Contributions from the Employer	46
Exhibit 16: Solvency Test.....	47



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**Table of Contents
(continued)**

Appendices

Appendix A: Actuarial Procedures and Assumptions	A-1
Appendix B: Summary of Benefit Provisions	B-1
Appendix C: Valuation Data and Schedules	C-1
Appendix D: Member Contribution Rates	D-1
Appendix E: Glossary	E-1



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Santa Barbara County Employees' Retirement System

Section 1: Summary of the Findings



2007 Valuation Results

	June 30, 2007	June 30, 2006
Employer Contribution Rate	24.92%	21.09%
Funded Ratio	82.7%	84.6%

Overview

We are pleased to present the results of the June 30, 2007 actuarial valuation. Several key points are summarized as follows:

- **Investment Returns:** SBCERS' investment returns have exceeded the actuarial assumed rate over the past three years on a market value basis. However, these gains are offset by deferred losses recognized from prior years when using the actuarial asset smoothing method. The Valuation Assets used to fund the basic pension benefits did not experience an asset gain until this year.

Note that currently a \$165 million net asset gain is being deferred. This is because the asset-smoothing method has recognized all of the losses from earlier in this decade, but only a portion of the gains from the prior four years. These deferred gains will be reflected in future valuations.

- **Funding:** The Funded Ratio decreased from 84.6% to 82.7%. This was primarily due to changes in actuarial methods and assumptions as discussed in the 2007 Investigation of Experience report.

In prior valuation reports, the non valuation assets were included in the actuarial balance sheet as both assets and equal, but offsetting, liabilities. In last year's actuarial valuation report, the funded ratio was reported as 85.8% as of June 30, 2006 when the non valuation assets were included, and the funding ratio was reported as 84.6% when only considering valuation assets and liabilities. For this valuation report, we have excluded non valuation assets. For this reason, we compared the current ratio of 82.7% to 84.6% as of June 30, 2006.

- **Contribution Rates:** The Employer Normal Cost rate, 13.18%, increased significantly from 11.80%. Nearly all of this increase was due to the change in actuarial methods regarding the probability of refund after retirement eligibility.

**Overview
(continued)**

The Employer's required contribution rate to finance the Unfunded Actuarial Accrued Liability (UAAL) over the layered 15 year amortization periods increased from 9.29% to 11.74%. Based on the changes in the actuarial methods and assumptions, this rate was expected to be about 13.40%, but the significant asset gain realized for this valuation reduced the rate by nearly 2%.

The overall result is an increase in the required total contribution rate from the prior valuation of 3.83% (from 21.09% to 24.92% of payroll). Note that the 21.09% total contribution rate differs slightly from what was reported in the 2006 actuarial valuation report. The 21.09% was calculated based upon weighting the contribution rate for each individual tier by the payroll in the 2006 valuation report.

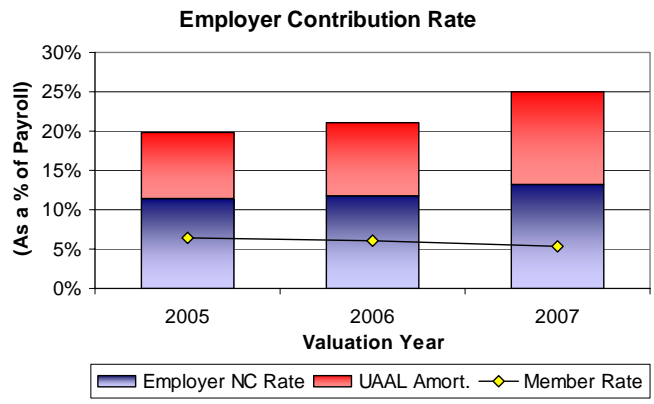
**Employer
Contribution Rate**

Under the Board's current funding objectives, the calculated Employer contribution rate for the fiscal year beginning July 1, 2008 is 24.92% of payroll. This is equal to the payment of the Employer Normal Cost rate plus a 15-year layered amortization of the UAAL.

It should be noted that the 24.92% is a weighted average for all SBCERS tiers. The actual percent of payroll to be contributed by the Employer varies by tier. See Exhibits 10a, 10b and 10c for Normal Cost rates by tier. See Exhibits 11a, 11b and 11c for the UAAL contribution rates by tier. 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, 2008 of 24.92% 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 paid off by in 15 year layered amortization periods.

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



Comparison with Last Year

A detailed analysis of the sources of the changes since the 2006 valuation is shown in the Gain and Loss Exhibit 13, Section 6 of this report. As discussed earlier, the primary cause for the increase in the contribution rate was a change in the actuarial methods. In addition, there was a significant increase in the Funded Ratio and decrease in the UAAL contribution rates due to a large asset gain this past year.

Also the Special Allowance benefits and reserves were transferred from non valuation to valuation status as of June 30, 2007. Additional ad hoc COLA benefits were granted by the Board in June 2007 and are reflected in this report along with the transfer of assets for those benefits.

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, 2006 Actuarial Valuation	21.09%	84.6%
Assumption Changes	1.58%	-2.2%
Methodology Changes	3.78%	-3.9%
Modified June 30, 2006 Actuarial Valuation with new assumptions	26.45%	78.5%
Expected Year-to-Year Change	0.29%	1.1%
Expected June 30, 2007 Actuarial Valuation	26.74%	79.6%
Special Allowances	0.00%	0.2%
Asset Gain/Loss	-1.73%	2.9%
Safety Plan 6 Changes	0.38%	-0.5%
Retiree COLAs Less than Expected	0.00%	0.0%
Mortality Experience	-0.21%	0.2%
Salary / Payroll Variation	0.38%	-0.5%
Assumption Changes	-0.52%	0.7%
Other	-0.12%	0.0%
Total Change	-1.82%	3.1%
Actual June 30, 2007 Actuarial Valuation	24.92%	82.7%

**Safety Member
Benefit Changes**

Effective February 25, 2008, certain Safety members will move from Plan 4 (3% @ 55) to Plan 6 (3% @ 50). The following chart summarizes these changes.

	Plan 4A	Plan 4B	Plan 4C	Plan 4D	Plan 6A	Plan 6B	Total
Count as of 7/1/1007	342	126	243	292	0	0	1,003
Members moving from Plan 4B to 4C on 1/14/2008		(114)	114				0
Members moving from Plan 4A to 6A on 2/25/2008	(216)				216		0
Members moving from Plan 4D to 6B on 2/25/2008				(292)		292	0
Totals as of 2/26/2008	126	12	357	0	216	292	1,003

Note that in Exhibit 13 – Analysis of Charge in UAAL, we have isolated the actuarial loss as \$12.8 million in the UAAL for these benefit changes. In addition, the increase in the contribution rates between the various Safety tiers, including the new plans 6A and 6B are shown in Exhibits 10b, 11b and 12b.

Member Contribution Rates

There have been changes to the actuarial assumptions since the 2006 valuation. Therefore, there are changes recommended in the member contribution rates. The rates are the same as those shown in the 2007 experience study report. Member rates for all tiers are discussed in Section 5 and are shown in detail in Appendix D.

Funding Progress

Based on Milliman’s Modified 2006 valuation with the actuarial method and assumption changes, the expected UAAL as of June 30, 2007 was \$394.3 million. The actual UAAL for the fiscal year ending June 30, 2007 is \$339.1 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 changes for this valuation are the asset gain discussed above and the loss due to the movement of certain Safety members to the new Plans 6A and 6B, with larger benefit payments.

One measure of the funding adequacy of the system is the Funded Ratio which compares the value of the Actuarial Value of Assets (net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL), for all 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 that were still being recognized until now, the Funded Ratio has decreased significantly since then.

Funding Progress (continued)

Currently, the Funded Ratio is 82.7%; that is, the valuation assets of \$1,620.3 million is about 17% less than the actuarial accrued liabilities of \$1,959.4 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 **
2002		\$ 1,296			\$ 1,364	95.0%
2003		\$ 1,347			\$ 1,455	92.6%
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	\$ 1,620	\$ 115	\$ 1,959	82.7%

* The scheduled timing of the actuarial valuation was changed to a fiscal year basis effective June 30, 2003.

** 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, 2007, we estimate that SBCERS earned 16.63%, net of expenses, on its market assets. Note that our return figure may be slightly different than that shown in the 2007 CAFR due to timing of contributions and benefit payments, as well as the treatment of expenses.

SBCERS uses an asset-smoothing method in the determination of valuation assets used in the calculation of the UAAL contribution rate. Under this method, the market value returns are smoothed over a five-year period. Due to the delayed recognition of prior gains and the removal of all non-valuation assets, the return on Valuation Assets was somewhat lower than the market return, at 12.22%.

At its January 29, 2008 meeting, the Board decided to include the liabilities for Special Allowances with the actuarial accrued liability. Per the recommendation of staff, we added an amount equal to the liability for the Special Allowances to the valuation assets. This is discussed further in Section 3 of this report.

Non Valuation Assets

We understand that the Health Coverage reserve was created for the purpose of providing post-employment health and supplemental benefits to retirees separate and apart from their basic retirement benefits, as permitted by under CERL 31592.2. Assets in this reserve do not represent the regular pension benefit promises of SBCERS. For this reason, we believe it is appropriate under generally accepted actuarial principles to exclude the Health Coverage reserve from the valuation assets used for contribution rate calculations.

**Non Valuation Assets
(continued)**

For these same reasons we believe it is appropriate to also exclude the statutory Contingency reserve from valuation assets.

We have based our understanding of the purposes of the various reserves on information provided to us by the Board and staff. We are not attorneys and can not express a legal opinion as to the appropriateness of their determinations regarding these fund allocations.

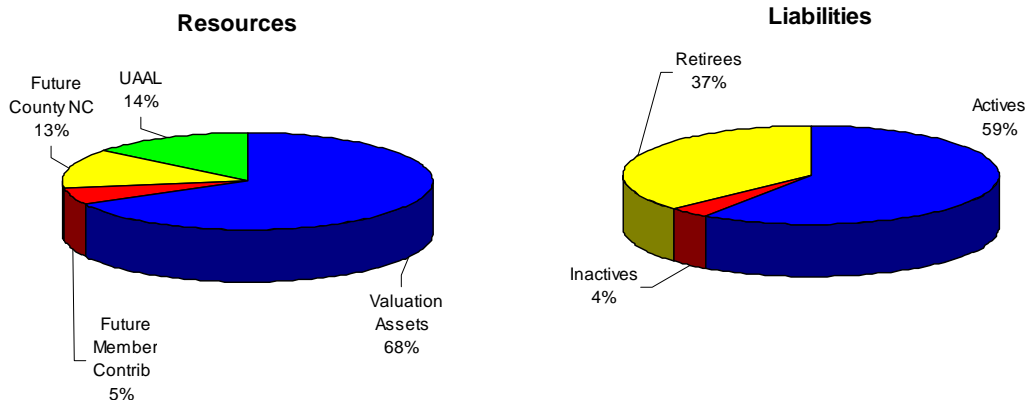
In previous valuations, the Special Allowance reserve was also excluded from valuation assets.

In prior valuation reports, the non valuation assets were included in the actuarial balance sheet as both assets and equal, but offsetting, liabilities. Under GASB 25 and 27 reporting, these assets should not be included. Therefore for this report we have removed them when discussing the Funded Ratio, valuation assets, etc. This means that some of the information reported for comparison purposes back to the 2006 valuation may be slightly different due to the removal of the non valuation assets.

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 actuarial assets plus the expected future contributions by both the employers and members. Liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members. This relationship is shown in the following chart. The AAL is the total of these liabilities less expected future Normal Cost Contributions.

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



Member Information

The number of active members included in the valuation decreased by 0.3% between 2006 and 2007.

Retired member counts and average retirement benefit amounts continue to increase steadily. For 2007, there were 2,812 retired members and beneficiaries with an average benefit of \$2,097 per month. This represents a 5.0% increase in count and a 4.4% increase in the average monthly benefit.

Summary Valuation Results

Many changes occurred between the 2006 valuation and the 2007 valuation due to the changes made and adopted in the 2007 Investigation of Experience study. Therefore, we have included as Exhibit 1, the summary of the Financial Impact of Adopted Assumptions from page 8 of that report. That information then established the basis for the comparison for certain key data elements. The following Exhibits 2a and 2b present a summary of these and other key data elements on June 30, 2007 and June 30, 2006, 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 Financial Impact on 6/30/2006 Valuation for all Pension Benefit Assumption Changes

	Actuarial Accrued Liability	County Normal Cost Rate	UAAL Rate	Total County Contribution Rate
A. June 30, 2006 Buck Valuation	\$ 1,671.8	11.80%	9.29%	21.09%
B. June 30, 2006 Milliman Replication Valuation	\$ 1,676.0	11.13%	9.35%	20.48%
C. Modified June 30, 2006 Valuation	\$ 1,758.0	13.18%	11.69%	24.87%
D. Adopted Demographic Changes *				
Termination Rates & Refund %	9.9	1.37%	0.31%	1.68%
Service Retirement Mortality	48.7	0.51%	1.53%	2.04%
Rates of Retirement	18.5	0.27%	0.58%	0.85%
Merit Salary	(35.3)	-2.17%	-1.11%	-3.28%
Deferred Retirement Age	3.6	0.18%	0.11%	0.29%
Total Demographic Changes	<u>\$ 45.4</u>	<u>0.16%</u>	<u>1.42%</u>	<u>1.58%</u>
E. Adopted Economic Changes				
Investment Return = 8.16%	\$ 0.0	0.00%	0.00%	0.00%
F. Combined Change (D + E)	\$ 45.4	0.16%	1.42%	1.58%
G. Revised June 30, 2006 Valuation	\$ 1,803.4	13.34%	13.11%	26.45%
General Plan 5A		12.14%	12.11%	24.25%
General Plan 5B		10.76%	12.11%	22.87%
General Plan 2		2.73%	12.11%	14.84%
Safety Plan 4A		19.61%	15.94%	35.55%
Safety Plan 4B		16.06%	15.94%	32.00%
Safety Plan 4C		19.64%	15.94%	35.58%
Safety Plan 4D		19.52%	15.94%	35.46%
APCD Plan 1		14.54%	13.49%	28.03%
APCD Plan 2		12.61%	13.49%	26.10%

* All assumption changes except Deferred Retirement Age were approved and adopted at the October 2007 Board meeting. The Deferred Retirement Age assumption change was approved and adopted at the December 2007 Board meeting.

Santa Barbara County Employees' Retirement System

Exhibit 2a: Summary of Significant Valuation Results

	June 30, 2007	June 30, 2006 *	Relative Change
I. Total Membership			
A. Active Members	4,625	4,640	(0.3)%
B. Retired Members & Beneficiaries	2,812	2,679	5.0%
C. Vested Terminated Members	895	778	15.0%
D. Terminated Members (with Contributions)	242 **	N/A	N/A
E. Total	8,574	8,097	5.9%
II. Annualized Payroll as of the Valuation Date			
A. Annual Total (\$thousands)	\$ 294,163	\$ 287,382	2.4%
B. Monthly Average	\$ 5,300	\$ 5,161	2.7%
III. Average Monthly Benefit to Current Retirees and Beneficiaries	\$ 2,097	\$ 2,009	4.4%
IV. Actuarial Accrued Liability (\$thousands)			
A. Active Members	\$ 979,734	\$ 816,690	20.0%
B. Retired Members	\$ 892,839	\$ 788,479	13.2%
C. Vested Terminated Members	\$ 86,819	\$ 66,662	30.2%
D. Total	\$ 1,959,391	\$ 1,671,831	17.2%
V. Assets (\$thousands)			
A. Market Value of Fund	\$ 1,900,461	\$ 1,628,958	16.7%
B. Market Value of Valuation Reserves	\$ 1,785,311	\$ 1,491,133	19.7%
C. Valuation Assets	\$ 1,620,338	1,414,950	14.5%
VI. Funded Ratios			
A. Market Value of Assets Basis (V.B. / IV.)	91.1%	89.2%	2.2%
B. Actuarial Value of Assets Basis (V.C. / IV.)	82.7%	84.6%	(2.3)%
VII. Unfunded Actuarial Accrued Liability or Surplus Funding (\$thousands)	\$ 339,053	\$ 256,880	32.0%
VIII. Required Employer contribution rate for all tiers combined as a percent of total payroll			
A. Gross Normal Cost	18.51%	17.80%	4.0%
B. Member Contributions	(5.33)%	(6.00)%	(11.2)%
C. Employer Normal Cost	13.18%	11.80% ***	11.7%
D. UAAL Amortization	11.74%	9.29%	26.3%
E. Total Employer Rate	24.92%	21.09% ***	18.1%
IX. Funded Ratio	82.7%	84.6%	(2.3)%

* From the prior actuary's actuarial valuation report.

** The "vested terminated" count for June 30, 2007 includes 242 non-vested inactive members with a pending refund of contributions.

*** The employer normal cost differs slightly from what appeared in the 2006 valuation report.

The numbers above are based upon weighting the normal cost for each individual tier by the payroll in the 2006 valuation report.

Santa Barbara County Employees' Retirement System

Exhibit 2b: Summary of Valuation Results

	06/30/2006 General	06/30/2007 General	Percent Change	06/30/2006 Safety	06/30/2007 Safety	Percent Change	06/30/2006 APCD	06/30/2007 APCD	Percent Change	06/30/2006 Total	06/30/2007 Total	Percent Change
Actives	3,602	3,569	-0.9%	982	1,003	2.1%	56	53	-5.4%	4,640	4,625	-0.3%
Inactives *	608	936	*	152	186	*	18	15	*	778	1,137	*
Retirees	2,100	2,230	6.2%	568	565	-0.5%	11	17	54.5%	2,679	2,812	5.0%
Totals	6,310	6,735	6.7%	1,702	1,754	3.1%	85	85	0.0%	8,097	8,574	5.9%
Active Payroll	210,289,225	214,717,344	2.1%	72,976,483	75,506,157	3.5%	4,115,949	3,939,567	-4.3%	287,381,657	294,163,067	2.4%
Average	58,381	60,162	3.0%	74,314	75,280	1.3%	73,499	74,331	1.1%	61,936	63,603	2.7%
Retiree Benefits	38,537,539	43,244,377	12.2%	25,731,150	27,017,455	5.0%	311,321	501,273	61.0%	64,580,010	70,763,105	9.6%
Average	18,351	19,392	5.7%	45,221	47,819	5.7%	28,302	29,487	4.2%	24,106	25,165	4.4%
Valuation Assets **	823,041,899	944,381,117	14.7%	574,113,271	655,340,348	14.1%	17,795,091	20,616,703	15.9%	1,414,950,261	1,620,338,168	14.5%
Market Value of Assets **	867,355,423	1,040,531,977	20.0%	605,024,191	722,062,921	19.3%	18,753,199	22,715,765	21.1%	1,491,132,813	1,785,310,663	19.7%
Actuarial Accrued Liability **	982,290,710	1,185,346,117	20.7%	668,359,353	748,011,348	11.9%	21,180,484	26,031,703	22.9%	1,671,830,547	1,959,389,168	17.2%
Unfunded Actuarial Accrued Liability **	159,248,811	240,965,000	51.3%	94,246,082	92,671,000	-1.7%	3,385,393	5,415,000	60.0%	256,880,286	339,051,000	32.0%
Retirement Contribution Rates												
Employer Normal Cost	9.76%	10.64%	9.0%	17.68%	20.39%	15.4%	11.85%	13.13%	10.8%	11.80%	13.18%	11.7%
Unfunded Actuarial Accrued Liability	7.45%	11.11%	49.1%	14.66%	13.41%	-8.5%	8.25%	13.66%	65.6%	9.29%	11.74%	26.4%
Total	17.21%	21.75%	26.4%	32.34%	33.80%	4.5%	20.10%	26.79%	33.3%	21.09%	24.92%	18.2%
Funded Ratios												
Valuation Assets	83.8%	79.7%	-4.9%	85.9%	87.6%	2.0%	84.0%	79.2%	-5.7%	84.6%	82.7%	-2.3%
Market Value of Assets	88.3%	87.8%	-0.6%	90.5%	96.5%	6.6%	88.5%	87.3%	-1.4%	89.2%	91.1%	2.2%

* June 30, 2007 numbers include 242 terminated members with a pending refund of contributions as of June 30, 2007.

** Excludes non-valuation reserves.



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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, 2007. 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 and the Valuation Assets as of June 30, 2007.

Section 4 describes 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.

Section 5 discusses the Member contribution rates.

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

Section 7 discloses 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, 2007.
- 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, 2007. 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. Sections 5 and 6 deal with the process for determining required contributions based on the relationship between the actuarial assets and the actuarial liabilities.

A historical summary of 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	1,620

On June 30, 2007, the total market value of the fund was about \$1.90 billion. The actuarial value of the fund was determined to be \$1.74 billion, including the non-valuation reserves. The valuation reserves used to fund the regular pension benefits are \$1.62 billion.

Financial Exhibits

Exhibit 3 presents a Statement of Plan Net Assets and Exhibit 4 presents a Statement of Changes in Plan Net Assets. Exhibit 5 describes the allocation of 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 their annual financial report. We have accepted these tables for use in this report without audit, but we have reviewed them for reasonableness and consistency with previous reports.

Actuarial Asset Method

The actuarial asset method computes the expected market value of assets based on the prior year's market value of assets, the actual cash flow of contributions and benefit payments, and the assumed investment rate of return. The current assumed rate of return, as used for this valuation, is 8.16%, net of all expenses. The difference between the actual market value and the computed expected market value is smoothed, or recognized over a five-year period.

Actuarial Value of Assets

The development of the June 30, 2007 actuarial value of assets is shown in Exhibits 6. Note that the smoothing process has recognized all of the investment losses from 2001 and earlier. The market value of assets is 109.5% of the actuarial value of assets. There are \$165.0 million of Deferred Investment return gains yet to be recognized.

Valuation Assets

We understand that the Health Coverage reserve was created for the purpose of providing post-employment health and supplemental benefits to retirees separate and apart from their basic retirement benefits, as permitted by under CERL 31592.2. Assets in this reserve do not represent the regular pension benefit promises of SBCERS. For this reason, we believe it is appropriate under generally accepted actuarial principles to exclude the Health Coverage reserve from the valuation assets used for contribution rate calculations. For these same reasons we believe it is appropriate to also exclude the statutory Contingency reserve from valuation assets.

We have based our understanding of the purposes of the various reserves on information provided to us by the Board and staff. We are not attorneys and cannot express a legal opinion as to the appropriateness of their determinations regarding these fund allocations.

**Valuation Assets
(continued)**

Valuation Assets are the actuarial value of the fund, less the value of any reserves which have been set aside for current liabilities and special benefits that are to be funded outside of the actuarially determined contribution rates. The development of the Valuation Assets is shown in Exhibit 7.

At its January 29, 2008 meeting, the Board decided to add the Special Allowance reserve of \$18,044,206 to the Retired Member reserve, and thus include it with the valuation assets. Similarly, the Board decided to include the liabilities for Special Allowances with the actuarial accrued liability.

The present value of Special Allowance benefits was \$19,042,353 for benefits that members were receiving as of June 30, 2007.

At its meeting on May 23, 2007, the Board agreed to provide an Ad Hoc cost-of-living adjustment (COLA) for certain retirees who retired on or before April 1, 1981. The purpose of the Ad Hoc COLA was to reduce their loss of purchasing power since retirement to 20%. As stated in our letter dated October 24, 2007, the estimated present value of these benefits as of June 30, 2007 was \$2,151,450.

The combined value of the Ad Hoc COLA and the other Special Allowances meant an increase of \$21,193,803 in the AAL.

Per the recommendation of staff, we assumed a transfer from the Contingency reserve sufficient to result in no change in the UAAL based upon the inclusion of the Special Allowances. The result is summarized below.

1. Special Allowances approved prior to 2007	\$ 19,042,353
2. Ad Hoc COLA	<u>2,151,450</u>
3. AAL increase for Special Allowances (1.+ 2.)	\$ 21,193,803
4. Special Allowance reserve	\$ 18,044,206
5. Transfer from Contingency Reserve	<u>3,149,597</u>
6. Additional Assets included in Valuation Assets (4.+ 5.)	\$ 21,193,803
7. Additional UAAL (3.- 6.)	\$ 0

The assets were allocated to General, Safety, and APCD member reserves in amounts equal to the additional actuarial accrued liability.

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.

In the calculation of the required contribution rate, the Normal Cost is determined separately by each class and plan for each tier. The UAAL portion of the rate is allocated proportionately to each classification. To determine the UAAL amount by classification, the valuation assets are allocated in proportion to the accounting reserves allocated to each class.

At its January 29, 2008 meeting, the Board decided to add the Special Allowance reserve and Burial reserve to the Retired Member reserve. Since the previous valuation, the Sick Leave, Spousal Continuation, and APCD Death reserves have been added to the Employer Advanced reserves.

The Member reserves, Employer Advanced reserves, and Retired Member reserves were separated by classification. The APCD Death reserve is for APCD.

We allocated the Sick Leave and Spousal Continuation reserves by classification in proportion to the rest of the Employer Advance reserves.

We allocated the Special Allowance reserve by classification in proportion to the liabilities for Special Allowances. We then allocated the Burial Allowance reserve by classification in proportion to the Retired Member reserves, including the Special Allowance reserves.

Santa Barbara County Employees' Retirement System

Exhibit 3: Statement of Plan Net Assets For the Years Ended June 30, 2006 and 2007

	June 30, 2007	June 30, 2006
Assets		
Cash	\$ 9,595,904	\$ 10,862,585
Receivables		
Contributions	3,037,589	2,279,476
Other	8,108	-
Accrued Interest	4,174,264	3,870,136
Dividends	1,250,515	1,063,747
Due from Brokers for Security Sales	117,096,434	84,254,071
Total Receivables	125,566,910	91,467,430
Investments at Fair Value		
Short Term Investments	53,193,708	32,313,116
Alternative Equity	42,193,870	1,191,537
Domestic Equity	903,228,521	795,953,481
Domestic Bonds	452,344,445	437,812,053
International Equity	445,283,673	357,415,303
International Bonds	42,506,167	-
Real Estate	46,548,318	40,576,518
Total Investments	1,985,298,702	1,665,262,008
Collateral Held for Securities Lent	222,156,141	196,246,974
Total Investments Including Collateral Held for Securities Lent	2,207,454,843	1,861,508,982
TOTAL ASSETS	\$ 2,342,617,657	\$ 1,963,838,997
Liabilities		
Accounts Payable	\$ 916,557	\$ 164,180
Benefits Payable	931,092	1,128,497
Collateral Held for Securities Lent	222,156,141	196,246,974
Due to Brokers for Security Purchases	218,152,573	137,341,056
Total Liabilities	442,156,363	334,880,707
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 1,900,461,294	\$ 1,628,958,290

Santa Barbara County Employees' Retirement System

Exhibit 4: Statement of Changes in Plan Net Assets For the Years Ended June 30, 2006 and 2007

	June 30, 2007	June 30, 2006
Additions		
Contributions		
Employer	\$ 63,395,296	\$ 53,976,749
Member	15,853,139	15,057,589
Total Contributions	<u>79,248,435</u>	<u>69,034,338</u>
Investment Income		
Net Appreciation in Fair Value of Investments	234,289,600	127,740,795
Interest	19,532,891	19,466,663
Dividends	22,759,075	15,528,633
Total Investment Income	<u>276,581,566</u>	<u>162,736,091</u>
Less investment expense	(5,330,158)	(4,474,219)
Net Investment Income	<u>271,251,408</u>	<u>158,261,872</u>
Securities Lending Income	8,915,940	7,579,927
Securities Lending Expense	(8,556,870)	(7,174,176)
Net Securities Income	<u>359,070</u>	<u>405,751</u>
Other Income	2,233,265	55,990
Total Other Income	<u>2,233,265</u>	<u>55,990</u>
TOTAL ADDITIONS	<u>\$ 353,092,178</u>	<u>\$ 227,757,951</u>
Deductions		
Benefits Paid	\$ 76,846,452	\$ 71,018,064
Member Withdrawals	1,883,614	1,474,822
Administrative Expenses	2,859,108	2,464,794
TOTAL DEDUCTIONS	<u>\$ 81,589,174</u>	<u>\$ 74,957,680</u>
NET INCREASE	<u>\$ 271,503,004</u>	<u>\$ 152,800,271</u>
Assets Held in Trust - Beginning of Year	<u>\$ 1,628,958,290</u>	<u>\$ 1,476,158,019</u>
Assets Held in Trust - End of Year	<u>\$ 1,900,461,294</u>	<u>\$ 1,628,958,290</u>

Santa Barbara County Employees' Retirement System

Exhibit 5: Allocation of Assets by Accounting Reserve Amounts For the Years Ended June 30, 2006 and 2007

	2007	2006
1. Member Deposit Reserve	\$ 169,217,997	\$ 148,181,920
2. County and District Advance Reserve *	558,510,143	504,069,203
3. Retired Member Reserve *	912,832,239	771,291,272
	<u>\$ 1,640,560,379</u>	<u>\$ 1,423,542,394</u>
4. Market Stabilization Account	144,750,285	86,410,823
	<u>\$ 1,785,310,664</u>	<u>\$ 1,509,953,217</u>
5. Special Reserves (Non-valuation reserves)		
a. Health Coverage Reserve *	\$ 93,530,416	\$ 94,235,261
b. Contingency Reserve **	21,620,214	24,769,811
	<u>\$ 115,150,630</u>	<u>\$ 119,005,072</u>
Total Reserves	<u>\$ 1,900,461,294</u>	<u>\$ 1,628,958,290</u>

* Beginning with the June 30, 2007 actuarial valuation: 1. County and District Advance reserve includes Sick Leave, Spousal Continuance, and APCD Death Allowance reserves. 2. Retired Member reserve includes Burial Allowance and Special Allowance reserves. 3. Health Coverage reserve and Supplemental Health Coverage reserve are combined. For this exhibit, the 2006 County and District Reserve shown is based on the same methodology for consistency.

** Transfer of \$3,149,597 from Contingency reserve to Retired Member 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
06/30/2003	\$ 15,852,113	\$ 27,532,133	\$ 42,964,924	\$ 101,134,014	\$ 58,169,090	10%	\$ 5,816,909
06/30/2004	52,968,440	59,102,412	95,174,169	183,336,227	88,162,058	20%	17,632,412
06/30/2005	61,548,644	65,539,276	109,721,321	133,529,299	23,807,978	40%	9,523,191
06/30/2006	69,034,338	72,492,886	120,313,386	156,258,819	35,945,433	60%	21,567,260
06/30/2007	79,248,435	78,730,066	132,943,731	270,984,635	138,040,904	80%	<u>110,432,723</u>
1. Total							\$ 164,972,495
2. Market Value of Assets as of June 30, 2007							\$ 1,900,461,294
3. Preliminary Actuarial Value of Assets as of June 30, 2007 = (2) -(1)							\$ 1,735,488,799
4. Corridor Limit							
a. 80% of Net Market Value							1,520,369,035
b. 120% of Net Market Value							2,280,553,553
5. Actuarial Value of Assets After Corridor as of June 30,2007							\$ 1,735,488,799
6. Special Reserves (Non-valuation reserves)							
Health Coverage Reserve						\$ 93,530,416	
Contingency Reserve						<u>21,620,214</u>	
Total							<u>\$ 115,150,630</u>
7. Valuation Assets as of June 30, 2007 = (5) - (6)							<u><u>\$ 1,620,338,169</u></u>



Santa Barbara County Employees' Retirement System

Exhibit 7: Development of Valuation Assets

	<u>Valuation Assets</u>	<u>Actuarial Assets</u>	<u>Market Value of Assets</u>
1. Total June 30, 2006 Valuation	\$ 1,414,950,260	\$ 1,552,775,738	\$ 1,628,958,290
2. Changes During the Year			
Member Contributions	15,853,139	15,853,139	15,853,139
County Contributions	63,395,296	63,395,296	63,395,296
Benefit Payments	(68,617,406)	(78,730,066)	(78,730,066)
Special Allowance Reserve Adjustment *	21,193,803	-	-
Investment Return, net of expenses	173,563,077	182,194,692	270,984,635
Total Changes	<u>\$ 205,387,909</u>	<u>\$ 182,713,061</u>	<u>\$ 271,503,004</u>
3. Total June 30, 2007 Valuation = 1 + 2	\$ 1,620,338,169	\$ 1,735,488,799	\$ 1,900,461,294
4. Expected Value as of June 30, 2006	\$ 1,562,660,274	\$ 1,680,021,342	\$ 1,762,420,390
5. Gain/Loss = 3 - 4	57,677,895	55,467,457	138,040,904
6. Rate of Return	12.22%	11.73%	16.63%

* Effective June 30, 2007, the Special Allowance reserve is included with the Valuation Assets. Previously, it was not included with the Valuation Assets. Also included in this line is a transfer from the Contingency reserve.



Santa Barbara County Employees' Retirement System

**Exhibit 8: Allocation of Valuation Assets
For the Year Ended June 30, 2007**
(Dollars in Thousands)

	General	Safety	APCD	Total
1. Member Reserves	\$ 131,268	\$ 35,787	\$ 2,163	\$ 169,218
2. Employer Reserves Previously Allocated by Plan*	\$ 330,194	\$ 209,698	\$ 10,424	\$ 550,316
3. Percentage of Employer Reserves by Plan	60.00%	38.11%	1.89%	100.00%
4. Sick Leave and Spousal Continuance Reserves **	\$ 4,916	\$ 3,122	\$ 155	\$ 8,194
5. Employer Reserves (2. + 4.)	\$ 335,110	\$ 212,820	\$ 10,579	\$ 558,510
6. Retired Member Reserves Previously Allocated by Plan***	\$ 471,435	\$ 406,592	\$ 8,079	\$ 886,106
7. Transfer from Special Allowance and Contingency reserves****	\$ 15,385	\$ 5,805	\$ 4	\$ 21,194
8. Retired Member Reserves w/ Special Allowance Reserve (6.+7.)	\$ 486,820	\$ 412,397	\$ 8,083	\$ 907,300
9. Percentage of Line 8. by Plan	53.66%	45.45%	0.89%	100.00%
10. Burial Reserve *****	\$ 2,969	\$ 2,515	\$ 49	\$ 5,533
11. Total Retired Member Reserves (8.+10.)	\$ 489,789	\$ 414,912	\$ 8,132	\$ 912,833
12. Total Member, Employer, and Retired Reserves (1.+5.+11.)	\$ 956,167	\$ 663,519	\$ 20,874	\$ 1,640,560
13. Percentage of Line 12. by Plan	58.28%	40.44%	1.27%	100.00%
14. Actuarial Value of Valuation Assets (Exhibit 6)				\$ 1,620,338
15. Allocated Valuation Assets (13.x14.)	\$ 944,381	\$ 655,340	\$ 20,617	\$ 1,620,338

* Does not include the Sick Leave or Spousal Continuance Reserves, as those reserves were not allocated by Plan. APCD includes APCD Death Reserve.

** Allocated in proportion to Employer Reserves previously allocated by Plan.

*** Does not include Burial Allowance Reserve or Special Allowance Reserve, as those reserves were not allocated by Plan.

**** \$18,044,206 from Special Allowance reserve and \$3,149,597 from Contingency reserve allocated into General, Safety, and APCD based upon liabilities for Special Allowance benefits.

***** Burial Reserves allocated in proportion to Line 8.



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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, 2007. 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 usually expected in all but a fully closed down fund, where no further contributions of any sort are anticipated. This deficiency has to be provided by future contributions 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 Actuarial Value of 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, 2007.

Note: Prior valuations included the non-valuation assets in the actuarial balance sheet. Those assets do not represent the regular pension benefit promises of SBCERS and are no longer included in the actuarial balance sheet.

The actuarial assumptions used to determine the liabilities are based on the results of our analysis of experience as of June 30, 2007. Some of these assumptions were adopted by the Board at its October 2007 meeting while others were adopted at the December 2007 meeting. These assumptions are summarized in Appendix A.

Santa Barbara County Employees' Retirement System

Exhibit 9: Actuarial Balance Sheet – June 30, 2007
(Dollars in Thousands)

Resources				
	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>Total</u>
Valuation Assets (Actuarial)	\$ 944,381	\$ 655,340	\$ 20,617	\$ 1,620,338
Present Value of Future Member Contributions	94,148	35,944	1,552	131,644
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	179,000	140,665	3,807	323,472
b) Unfunded Actuarial Accrued Liability	240,965	92,671	5,415	339,051
Total Resources	\$ 1,458,494	\$ 924,620	\$ 31,391	\$ 2,414,505

Liabilities				
	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>Total</u>
Present Value of Future Benefits				
1. Present Retired Members	\$ 511,795	\$ 374,094	\$ 6,950	\$ 892,839
2. Current Inactive Members	62,966	22,076	1,777	86,819
3. Current Active Members				
- Service Retirement	782,526	469,536	20,414	1,272,476
- Disability Retirement	39,792	34,522	927	75,241
- Death Benefits	15,686	6,080	637	22,403
- Deferred Vested Benefit	36,835	16,110	598	53,543
- Refund of Member Contributions	<u>8,894</u>	<u>2,202</u>	<u>88</u>	<u>11,184</u>
- Total Active	\$ 883,733	\$ 528,450	\$ 22,664	\$ 1,434,847
Total Actuarial Liabilities	\$ 1,458,494	\$ 924,620	\$ 31,391	\$ 2,414,505

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

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

- A Normal Cost amount; and
- Whatever amount is left over, which is used to amortize what is called the 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. Suppose that a group of new employees was covered under a separate fund from which all benefits and to which all contributions and associated investment returns were paid.

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

**Normal Cost
(continued)**

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

Exhibit 10 reports the Total Normal Cost Contribution Rate for each class in total and then reduces the total by the members' average contribution rates to develop the Employer's Net Normal Cost Contribution Rate as of June 30, 2007. 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.

**Santa Barbara County Employees'
Retirement System**

**Exhibit 10: Calculated Employer Normal Cost Contribution Rates – June 30, 2007
All Members**

	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>All Plans</u>
A. Normal Cost Contribution Rate				
Service Retirement	11.92%	19.75%	13.29%	13.95%
Disability Retirement	1.00%	2.87%	1.08%	1.48%
Death while Active	0.32%	0.42%	1.02%	0.36%
Termination (No Refund)	1.78%	2.16%	2.08%	1.88%
Refund of Member Contributions	0.98%	0.45%	0.92%	0.84%
Total	16.00%	25.65%	18.39%	18.51%
B. Member Contributions	(5.36)%	(5.26)%	(5.26)%	(5.33)%
C. Net Employer Normal Cost as of June 30, 2007 (A) + (B)	10.64%	20.39%	13.13%	13.18%
D. Net Employer Normal Cost as of June 30, 2006*	9.76%	17.68%	11.85%	11.80%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	0.88%	2.71%	1.28%	1.38%

The net employer normal cost rate as of June 30, 2006 for all Safety members does not match the 2006 valuation report. The 17.68% above is based upon weighting the normal cost for each individual tier by the payroll in the 2006 valuation report. Similarly, the 11.80% for all plans does not match the 11.61% in the 2006 valuation report. The 11.80% above is based upon weighting the normal cost for each plan by the payroll in the 2006 valuation report.

Santa Barbara County Employees' Retirement System

Exhibit 10a: Calculated Employer Normal Cost Contribution Rates – June 30, 2007 General Members

	General - County			
	<u>5A</u>	<u>5B</u>	<u>Plan 2</u>	<u>Total</u>
A. Normal Cost Contribution Rate				
Service Retirement	10.85%	12.64%	2.12%	11.92%
Disability Retirement	0.96%	1.03%	0.14%	1.00%
Death while Active	0.32%	0.33%	0.03%	0.32%
Termination (No Refund)	1.94%	1.71%	0.29%	1.78%
Refund of Member Contributions	0.55%	1.23%	0.00%	0.98%
Total	14.62%	16.94%	2.58%	16.00%
B. Member Contributions	(3.07)%	(6.71)%	0.00%	(5.36)%
C. Net Employer Normal Cost as of June 30, 2007 (A) + (B)	11.55%	10.23%	2.58%	10.64%
D. Net Employer Normal Cost as of June 30, 2006	9.81%	9.81%	3.36%	9.76%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	1.74%	0.42%	(0.78)%	0.88%

Santa Barbara County Employees' Retirement System

Exhibit 10b: Calculated Employer Normal Cost Contribution Rates – June 30, 2007 Safety Members

	Safety						
	<u>4A</u>	<u>4B</u>	<u>4C</u>	<u>4D</u>	<u>6A*</u>	<u>6B*</u>	<u>Total</u>
A. Normal Cost Contribution Rate							
Service Retirement	19.21%	20.17%	18.93%	18.71%	20.25%	20.51%	19.75%
Disability Retirement	3.02%	2.50%	2.85%	2.76%	2.89%	2.81%	2.87%
Death while Active	0.47%	0.38%	0.42%	0.43%	0.41%	0.41%	0.42%
Termination (No Refund)	1.99%	1.62%	1.82%	1.80%	2.41%	2.45%	2.16%
Refund of Member Contributions	0.46%	0.89%	0.45%	0.44%	0.43%	0.45%	0.45%
Total	25.15%	25.56%	24.47%	24.14%	26.39%	26.63%	25.65%
B. Member Contributions	(5.31)%	(10.88)%	(5.18)%	(5.12)%	(5.07)%	(5.12)%	(5.26)%
C. Net Employer Normal Cost as of June 30, 2007 (A) + (B)	19.84%	14.68%	19.29%	19.02%	21.32%	21.51%	20.39%
D. Net Employer Normal Cost as of June 30, 2006	20.90%	15.69%	15.23%	14.97%	0.00%*	0.00%*	17.68%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	(1.06)%	(1.01)%	4.06%	4.05%	NA	NA	2.71%

* New plans effective February 25, 2008. All members in Plan 4D will move to Plan 6B.

As discussed with the Board in August 2007, the 2006 valuation reflected the new member rates for Safety 4C and 4D by increasing the UAAL rates rather than increasing the County's portion of the total normal cost rate.

The net employer normal cost rate as of June 30, 2006 for all Safety members does not match the 2006 valuation report. The 17.68% above is based upon weighting the normal cost for each individual tier by the payroll in the 2006 valuation report.



**Santa Barbara County Employees'
Retirement System**

**Exhibit 10c: Calculated Employer Normal Cost Contribution Rates – June 30, 2007
APCD Members**

A. Normal Cost Contribution Rate	APCD		
	<u>Plan 1</u>	<u>Plan 2</u>	<u>Total</u>
Service Retirement	12.28%	15.10%	13.29%
Disability Retirement	1.06%	1.12%	1.08%
Death while Active	0.99%	1.08%	1.02%
Termination (No Refund)	2.27%	1.74%	2.08%
Refund of Member Contributions	0.65%	1.41%	0.92%
Total	17.25%	20.45%	18.39%
B. Member Contributions	(3.68)%	(8.07)%	(5.26)%
C. Net Employer Normal Cost as of June 30, 2007 (A) + (B)	13.57%	12.38%	13.13%
D. Net Employer Normal Cost as of June 30, 2006*	11.68%	12.20%	11.85%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	1.89%	0.18%	1.28%

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 value of assets available to fund benefits, 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 Actuarial Accrued Liability. The difference between the Actuarial Accrued Liability and the Valuation Assets is called the 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 actuarial accrued liability for all future benefits must be equal to the current and future assets.

Funding Adequacy

A key consideration in determining the adequacy of the funding of SBCERS is how the UAAL is being funded. If the UAAL amount is positive, that is, the actuarial accrued liability to be funded is greater than the Valuation Assets, then the UAAL is amortized. Under the current funding method, the UAAL is amortized over a fixed 15-year period, with a new layer of UAAL established for each year's experience.

Exhibits 11a, 11b and 11c disclose the development of these UAAL layers for each classification. The Exhibits also show the remaining outstanding balances for each base established since January 1, 2003 when SBCERS adopted this layered amortization schedule for any UAAL.

Each year the difference between the aggregate UAAL (as shown in Exhibit 11) and the expected UAAL from the prior year's amortization schedules equals the additional UAAL created during the past year. This new amount is then amortized over a fixed (closed) period of 15 years.

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 2007 actuarial valuation reflects an increase in the UAAL of \$82.3 million for the fiscal year just ended. This includes an increase of \$12.8 million for members moving to Plans 6A and 6B. See Exhibit 13 in Section 6 for further details.

Santa Barbara County Employees' Retirement System

Exhibit 11: Calculated UAAL Amount by Class – June 30, 2007 All Members

(Amounts in millions)

	General	Safety	APCD	2007 All Plans	2006 All Plans ⁽¹⁾	Percent Change
A. Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors	\$ 1,458.5	\$ 924.6	\$ 31.4	\$ 2,414.5	\$ 2,118.8	14.0%
B. Actuarial present value of total future Normal Costs for current members	<u>273.1</u>	<u>176.6</u>	<u>5.4</u>	<u>455.1</u>	<u>447.0</u>	1.8%
C. Actuarial Accrued Liability [A-B]	\$ 1,185.4	\$ 748.0	\$ 26.0	\$ 1,959.4	\$ 1,671.8	17.2%
D. Valuation Assets	<u>944.4</u>	<u>655.3</u>	<u>20.6</u>	<u>1,620.3</u>	<u>1,415.0</u>	14.5%
E. UAAL or Surplus Funding [C-D]	\$ 241.0	\$ 92.7	\$ 5.4	\$ 339.1	\$ 256.8	32.0%
F. Funded Ratio [D/C]	79.7%	87.6%	79.3%	82.7%	84.6%	(1.9)%

(1) Excludes non-valuation assets from present value of benefits and Valuation Assets.

Santa Barbara County Employees' Retirement System

Exhibit 11b: UAAL Amortization Rates – June 30, 2007 Safety Members

Interest 8.16%
Annual Payroll Increases 4.00%
Amortization factor (n=15) 0.088195

Base Number:	Base 1	Base 2	Base 3	Base 4	Base 5	Base 6	Bases for All Safety	New Base for 3% @ 50 Formula 07/01/2007	All Bases	
Date Base Established:	Initial (1/1/2003)	07/01/2003	07/01/2004	07/01/2005	07/01/2006	07/01/2007				
Years Remaining:	10.5	11	12	13	14	15		15		
Original Balance:	\$ 28,803,194	\$ 23,375,065	\$ 38,660,471	\$ 20,254,712	\$ (21,026,765)	\$ (4,055,847)	\$ 86,010,830	\$ 12,795,769	\$ 98,806,599	
Current Balance:	26,335,625	21,726,551	36,913,766	19,730,868	(20,775,732)	(4,055,847)	79,875,231	12,795,769	92,671,000	
Amortization Factor:	0.116242	0.111932	0.104483	0.098199	0.092831	0.088195		0.088195		
Beginning of Year Payment:	\$ 3,061,305	\$ 2,431,904	\$ 3,856,861	\$ 1,937,552	\$ (1,928,623)	\$ (357,703)	\$ 9,001,296	\$ 1,128,517	10,129,813	
							Beginning of Year Payroll:	\$ 75,506,157	Beginning of Year Payroll:	\$ 38,872,640
							UAAL Amortization Rate - Safety:	11.92%		2.90%

Period	Base 1 Payment	Base 2 Payment	Base 3 Payment	Base 4 Payment	Base 5 Payment	Base 6 Payment	All Safety Totals	Discounted Totals	New Base for 3% @ 50 Formula Payment	Discounted Totals
1	\$ 3,121,931	\$ 2,480,065	\$ 3,933,242	\$ 1,975,923	\$ (1,966,817)	\$ (364,787)	\$ 9,179,557	\$ 8,826,497	\$ 1,150,866	\$ 1,106,602
2	3,246,808	2,579,268	4,090,572	2,054,960	(2,045,490)	(379,378)	9,546,740	8,487,017	1,196,901	1,064,041
3	3,376,680	2,682,439	4,254,194	2,137,158	(2,127,310)	(394,554)	9,928,607	8,160,591	1,244,777	1,023,116
4	3,511,748	2,789,736	4,424,362	2,222,645	(2,212,402)	(410,336)	10,325,753	7,846,724	1,294,568	983,765
5	3,652,217	2,901,325	4,601,337	2,311,551	(2,300,898)	(426,749)	10,738,783	7,544,926	1,346,350	945,928
6	3,798,306	3,017,379	4,785,390	2,404,013	(2,392,934)	(443,819)	11,168,335	7,254,737	1,400,205	909,546
7	3,950,238	3,138,074	4,976,806	2,500,173	(2,488,651)	(461,572)	11,615,068	6,975,709	1,456,213	874,564
8	4,108,248	3,263,597	5,175,878	2,600,180	(2,588,197)	(480,035)	12,079,671	6,707,413	1,514,461	840,926
9	4,272,578	3,394,140	5,382,913	2,704,187	(2,691,725)	(499,236)	12,562,857	6,449,435	1,575,040	808,583
10	4,443,481	3,529,906	5,598,230	2,812,355	(2,799,394)	(519,206)	13,065,372	6,201,380	1,638,041	777,484
11	2,310,610	3,671,102	5,822,159	2,924,849	(2,911,370)	(539,974)	11,277,376	4,948,892	1,703,563	747,581
12			6,055,045	3,041,843	(3,027,825)	(561,573)	5,507,490	2,234,534	1,771,705	718,827
13				3,163,517	(3,148,938)	(584,036)	(569,457)	(213,613)	1,842,574	691,180
14					(3,274,895)	(607,397)	(3,882,292)	(1,346,443)	1,916,277	664,597
15						(631,693)	(631,693)	(202,568)	1,992,928	639,028
Totals	\$ 39,792,845	\$ 33,447,031	\$ 59,100,128	\$ 32,853,354	\$ (35,976,846)	\$ (7,304,345)	\$ 121,912,167	\$ 79,875,231	\$ 23,044,469	\$ 12,795,769



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Santa Barbara County Employees' Retirement System

Exhibit 11c: UAAL Amortization Rates – June 30, 2007 APCD Members

Interest	8.16%
Annual Payroll Increases	4.00%
Amortization factor (n=15)	0.088195

Base Number:	Base 1	Base 2	Base 3	Base 4	Base 5	Base 6	All Bases
Date Base Established:	Initial (1/1/2003)	07/01/2003	07/01/2004	07/01/2005	07/01/2006	07/01/2007	
Years Remaining:	10.5	11	12	13	14	15	
Original Balance:	\$ 1,227,034	\$ 950,363	\$ (152,364)	\$ 975,400	\$ 199,108	\$ 2,408,322	\$ 5,607,863
Current Balance:	1,121,914	883,340	(145,480)	950,173	196,731	2,408,322	5,415,000
Amortization Factor:	0.116242	0.111932	0.104483	0.098199	0.092831	0.088195	
Beginning of Year Payment:	\$ 130,413	\$ 98,874	\$ (15,200)	\$ 93,306	\$ 18,263	\$ 212,401	\$ 538,057
							Beginning of Year Payroll: \$ 3,939,567
							UAAL Amortization Rate: 13.66%

Period	Base 1 Payment	Base 2 Payment	Base 3 Payment	Base 4 Payment	Base 5 Payment	Base 6 Payment	All Bases Totals	Discounted Totals
1	\$ 132,996	\$ 100,832	\$ (15,501)	\$ 95,154	\$ 18,625	\$ 216,607	\$ 548,713	\$ 527,609
2	138,316	104,865	(16,121)	98,960	19,370	225,272	570,662	507,316
3	143,848	109,060	(16,766)	102,918	20,144	234,283	593,487	487,803
4	149,602	113,422	(17,437)	107,035	20,950	243,654	617,226	469,041
5	155,586	117,959	(18,134)	111,317	21,788	253,400	641,916	451,002
6	161,810	122,678	(18,859)	115,769	22,660	263,536	667,594	433,656
7	168,282	127,585	(19,614)	120,400	23,566	274,077	694,296	416,976
8	175,013	132,688	(20,398)	125,216	24,509	285,041	722,069	400,939
9	182,014	137,996	(21,214)	130,225	25,489	296,442	750,952	385,519
10	189,294	143,516	(22,063)	135,434	26,509	308,300	780,990	370,691
11	98,433	149,256	(22,945)	140,851	27,569	320,632	713,796	313,238
12			(23,863)	146,485	28,672	333,457	484,751	196,676
13				152,344	29,819	346,795	528,958	198,421
14					31,011	360,667	391,678	135,840
15						375,094	375,094	120,273
Totals	\$ 1,695,194	\$ 1,359,857	\$ (232,915)	\$ 1,582,108	\$ 340,681	\$ 4,337,257	\$ 9,082,182	\$ 5,415,000



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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 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 & 4D & 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 occurred since the 2006 valuation, so changes in member contributions are needed. The rates shown in Appendix D reflect member contribution rates, to become effective July 1, 2008.

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 indicted in the table.

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

General Plan 2 members make no employee contributions.

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 (or County) Normal Cost is the portion of the annual benefit that the employer is responsible for. This is simply the Normal Cost Contribution rate less the contributions made 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 with one exception. The initial additional UAAL for the new 3% @ 50 Formula is amortized as a percentage of pay for those moving to Safety Plan 6.

Calculated Contribution Rate

The total Employer contribution rate was 21.09% for the fiscal year beginning July 1, 2006. For the fiscal year beginning in 2008, the calculated rate based on this report increased to 24.92%. This is equal to the aggregate Net Normal Cost contribution rate, of 13.18% plus the amortization payment of the UAAL as measured from the valuation date and reported in Exhibits 11, 11a, 11b and 11c. The aggregate UAAL contribution rate is 11.74%.

Changes in the Normal Cost Rate

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

- (1) **Experience:** Normal experience from year-to-year, reflecting differences in both the weighting between membership groups and in their characteristics, as well as on what was assumed to occur during the past fiscal year and what actually occurred, particularly with respect to salary increases and turnover experience.
- (2) **Changes in Benefit Provisions:** Plans 6A and 6B have been added.

Changes in UAAL and UAAL Contribution Rates

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

Significant changes occurred since the 2006 valuation. A change in actuarial firms resulted in changes in both actuarial methods (the Modified 2006 Valuation) and the actuarial assumptions based on the 2007 Experience Study report.

In addition to regular experience gains and losses, benefits were increased as some Safety members will move from Plan 4 (3% @ 55) to Plan 6 (3% at 50). Please see the Executive Summary for a further description of this change.

The addition of the Special Allowance reserve and corresponding liabilities, along with the transfer from the Contingency reserve, resulted in no change to the UAAL.

Santa Barbara County Employees' Retirement System

Exhibit 12: Total Employer Contributions All Members

	General	Safety	APCD	2007 All Plans
A. Basic Employer Normal Cost Rate	6.78%	13.32%	8.61%	8.49%
B. COLA Normal Cost Rate	3.86%	7.07%	4.52%	4.69%
C. Employer Normal Cost Rate	10.64%	20.39%	13.13%	13.18%
D. UAAL Contribution Rate	11.11%	13.41%	13.66%	11.74%
E. Total June 30, 2007 Contribution Rate (C) + (D)	21.75%	33.80%	26.79%	24.92%
F. Total June 30, 2006 Contribution Rate	17.21%	32.34%	20.10%	21.09%
G. Estimated Payroll for fiscal year beginning July 1, 2008	\$ 227,728	\$ 80,082	\$ 4,178	\$ 311,988
H. Estimated Annual Contribution (E x G)*	\$ 49,542	\$ 27,070	\$ 1,120	\$ 77,732
I. Last Year's Estimated Annual Contribution	\$ 38,383	\$ 25,027	\$ 877	\$ 64,288
J. Increase / (Decrease) in Annual Contribution	\$ 11,159	\$ 2,043	\$ 243	\$ 13,445

* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.
Dollar amounts are in thousands.

Santa Barbara County Employees' Retirement System

Exhibit 12a: Total Employer Contributions General Members

	General			
	5A	5B	Plan 2	Total
A. Basic Employer Normal Cost Rate	7.89%	6.21%	2.58%	6.78%
B. COLA Normal Cost Rate	3.66%	4.02%	0.00%	3.86%
C. Employer Normal Cost Rate	11.55%	10.23%	2.58%	10.64%
D. UAAL Contribution Rate	11.11%	11.11%	11.11%	11.11%
E. Total June 30, 2007 Contribution Rate (C) + (D)	22.66%	21.34%	13.69%	21.75%
F. Total June 30, 2006 Contribution Rate	17.26%	17.26%	10.81%	17.21%
G. Estimated Payroll for fiscal year beginning July 1, 2008	\$ 81,299	\$ 144,755	\$ 1,674	\$ 227,728
H. Estimated Annual Contribution (E x G)*	\$ 18,422	\$ 30,891	\$ 229	\$ 49,542
I. Last Year's Estimated Annual Contribution	\$ 14,853	\$ 23,342	\$ 188	\$ 38,383
J. Increase / (Decrease) in Annual Contribution	\$ 3,569	\$ 7,549	\$ 41	\$ 11,159

* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.
Dollar amounts are in thousands.

Santa Barbara County Employees' Retirement System

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

	Safety						Total
	4A	4B	4C	4D	6A*	6B*	
A. Basic Employer Normal Cost Rate	12.96%	8.00%	12.65%	12.46%	13.91%	14.11%	13.32%
B. COLA Normal Cost Rate	6.88%	6.68%	6.64%	6.56%	7.41%	7.40%	7.07%
C. Employer Normal Cost Rate	19.84%	14.68%	19.29%	19.02%	21.32%	21.51%	20.39%
D. UAAL Contribution Rate	11.92%	11.92%	11.92%	11.92%	14.82%	14.82%	13.41%
E. Total June 30, 2007 Contribution Rate (C) + (D)	31.76%	26.60%	31.21%	30.94%	36.14%	36.33%	33.80%
F. Total June 30, 2006 Contribution Rate	34.04%	28.83%	31.86%	31.60%	N/A	N/A	32.34%
G. Estimated Payroll for fiscal year beginning July 1, 2008	\$ 12,579	\$ 1,431	\$ 24,844	\$ -	\$ 19,677	\$ 21,551	\$ 80,082
H. Estimated Annual Contribution (E x G)*	\$ 3,995	\$ 381	\$ 7,754	\$ -	\$ 7,111	\$ 7,829	\$ 27,070
I. Last Year's Estimated Annual Contribution	\$ 11,368	\$ 2,969	\$ 4,832	\$ 5,859	N/A	N/A	\$ 25,027
J. Increase / (Decrease) in Annual Contribution	\$ (7,373)	\$ (2,588)	\$ 2,922	\$ (5,859)	\$ 7,111	\$ 7,829	\$ 2,043

* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.
Dollar amounts are in thousands.



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Santa Barbara County Employees' Retirement System

Exhibit 12c: Total Employer Contributions APCD Members

	APCD		
	Plan 1	Plan 2	Total
A. Basic Employer Normal Cost Rate	9.21%	7.55%	8.61%
B. COLA Normal Cost Rate	4.36%	4.83%	4.52%
C. Employer Normal Cost Rate	13.57%	12.38%	13.13%
D. UAAL Contribution Rate	13.66%	13.66%	13.66%
E. Total June 30, 2007 Contribution Rate (C) + (D)	27.23%	26.04%	26.79%
F. Total June 30, 2006 Contribution Rate	19.93%	20.45%	20.10%
G. Estimated Payroll for fiscal year beginning July 1, 2008	\$ 2,676	\$ 1,502	\$ 4,178
H. Estimated Annual Contribution (E x G)*	\$ 729	\$ 391	\$ 1,120
I. Last Year's Estimated Annual Contribution	\$ 583	\$ 294	\$ 877
J. Increase / (Decrease) in Annual Contribution	\$ 146	\$ 97	\$ 243

** Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing. Dollar amounts are in thousands.*

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, 2007 Actuarial Accrued Liability	UAAL Contribution Rate % of Pay *
Unfunded Actuarial Accrued Liability - June 30, 2006	\$ 256.8	13.1%	9.29%
Increase in UAAL due to new assumptions	45.4	2.3%	1.42%
Increase in UAAL due to change in methodology	86.2	4.4%	2.40%
Unfunded Actuarial Accrued Liability - June 30, 2006 (Modified Valuation with new assumptions)	\$ 388.4	19.8%	13.11%
Interest Accrued	31.7	1.6%	1.06%
Benefits Accrued (Normal Cost)	56.6	2.9%	1.70%
Contributions (with Assumed Interest)			
Employer - Cash	(65.9)	-3.4%	-1.98%
Member	(16.5)	-0.8%	-0.49%
Transfer from Non-Valuation Assets	-	0.0%	0.00%
Total	<u>(82.4)</u>	-4.2%	<u>-2.47%</u>
Expected Unfunded Actuarial Accrued Liability - June 30, 2007	\$ 394.3	20.1%	13.40%
Source of Change			
Asset (Gains) and Losses	(57.6)	-2.9%	-1.73%
Actuarial (Gains) and Losses			
Salary Increases	12.6	0.6%	0.38%
CPI Less than Expected	-	0.0%	0.00%
New Entrants	4.0	0.2%	0.12%
Data changes	(4.5)	-0.2%	-0.13%
Mortality Experience	(6.9)	-0.4%	-0.21%
Change in Safety Plan retirement age assumption **	(17.4)	-0.9%	-0.52%
All Other Experience	<u>1.8</u>	0.1%	<u>0.05%</u>
Total	(10.4)	-0.5%	-0.31%
New Safety Plan 6A & 6B Benefits			
Retirement assumption change	6.3	0.3%	0.19%
All other changes	<u>6.5</u>	0.3%	<u>0.19%</u>
Total	<u>12.8</u>	0.7%	<u>0.38%</u>
Total Changes	(55.2)	-2.8%	-1.66%
Unfunded Actuarial Accrued Liability - June 30, 2007	\$ 339.1	17.3%	11.74%

* 2006 valuation pay used to compute UAAL contribution rate as a percentage of pay for 2006 Modified Valuation with new assumptions. Otherwise, 2007 valuation pay used to compute contribution rate as a source of change.

** Adopted with 2007 Experience Study assumption changes, but previously omitted for 2006 financial values.

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)
December 31, 2002**	\$ 1,295,956	\$ 134,607	\$ 1,161,349	\$ 1,228,998	\$ 1,363,605	\$ 67,649	95.0%	94.5%	\$ 251,834	26.9%
June 30, 2003	1,346,665	135,317	1,211,348	1,319,547	1,454,864	108,199	92.6%	91.8%	257,237	42.1%
June 30, 2004	1,379,170	137,613	1,241,557	1,441,156	1,578,769	199,599	87.4%	86.2%	266,960	74.8%
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	115,151	1,620,338	1,959,391	2,074,542	339,053	83.7%	82.7%	294,163	115.3%

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

** The scheduled timing of the actuarial valuation was changed to a fiscal year basis effective June 30, 2003.



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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
12/31/2002	\$ 32,999	\$ 32,999	100%
06/30/2003**	9,118	9,118	100%
06/30/2004	39,335	39,335	100%
06/30/2005	46,721	46,721	100%
06/30/2006	53,977	53,977	100%
06/30/2007	63,395	63,395	100%

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

** January 1, 2003 to June 30, 2003

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)
December 31, 2002**	\$ 1,295,956	\$ 122,032	\$ 460,031	\$ 781,542	100%	100%	91%
June 30, 2003	1,346,665	105,570	572,737	776,557	100%	100%	86%
June 30, 2004	1,379,170	115,530	633,082	830,157	100%	100%	76%
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	1,620,338	169,218	979,657	810,516	100%	100%	58%

* 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.

**The scheduled timing of the actuarial valuation was changed to a fiscal year basis effective June 30, 2003.



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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, 2007 as a result of the 2007 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 2007 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.

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. Each year's change is measured separately and amortized over a fixed 15-year period. This approach is sometimes referred to as a "layered" amortization method.

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.

**County
Contributions**

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

**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 8.16% compounded annually, net of both investment and administrative expenses. This rate was adopted prior to June 30, 2007.

**Post-retirement
Benefit Increases**

Post-retirement increases are assumed for the valuation in accordance with the benefits provided as described in Appendix B. These adjustments are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 3.5% per year. This rate was adopted effective June 30, 2007.

**Interest on Member
Contributions**

The annual credited interest rate on member contributions is assumed to be 8.00% compounded semi-annually for an annualized rate of 8.16%. This rate was adopted prior to June 30, 2007.

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 4.0% per annum rate of increase in the general wage level of the membership. These rates were adopted effective June 30, 2007.

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 4% 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 56 for General members and age 52 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, 2007.

Disablement

The rates of disablement used in the valuation are also illustrated in Tables A-7 to A-12. These rates were revised June 30, 2006.

Mortality – Other Than Disabled Members

The same post-retirement 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, 2007.

Males General members: RP-2000 Combined Mortality Table for Males, with ages set back three years.

Safety members: RP-2000 Combined Mortality Table for Males, with ages set back three years.

Females General members: RP-2000 Combined Mortality Table for Females, with ages set back two years.

Safety members: RP-2000 Combined Mortality Table for Females, with ages set back two 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, 2007.

Males General members: RP-2000 Combined Mortality Table for Males, with no age adjustment.

Safety members: RP-2000 Combined Mortality Table for Males, with no age adjustment.

Females General members: RP-2000 Combined Mortality Table for Females, with no age adjustment.

Safety members: RP-2000 Combined Mortality Table for Females, 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, 2007.

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.

**Other Employment
Terminations
(continued)**

All terminating members are assumed to not be rehired. Table A-4 gives the assumed probabilities that vested members will withdraw their contributions and elect a refund immediately upon termination and the probability the remaining members will elect a deferred vested benefit. Some non-vested members may not elect a refund due to employment at a reciprocal agency. These rates were adopted effective June 30, 2007.

**Probability of Eligible
Survivor**

For members not currently in pay status, 80% of all males and 50% 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 Male, set back 4 years
Safety Healthy Members:	RP-2000 Male, set back 3 years
Beneficiaries:	RP-2000 Male, set back 4 years
General Disabled Members:	RP-2000 Female, set forward 1 year
Safety Disabled Members:	RP-2000 Male, 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 8.16%.
- 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, 2006

I.	Economic assumptions	
	A. General wage increases	4.00%
	B. Investment earnings	8.16%
	C. Growth in membership	0.00
	D. Post-retirement benefit increases (varies by plan)	Plan COLA not greater than CPI assumption.
	E. CPI inflation assumption	3.50%
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 Mortality Table for respective sexes for general members, as adjusted:	
	Age	
	<u>Class of Members</u>	<u>Adjustment</u>
	General – males	-3 years
	General – females	-2 years
	Safety – males	-3 years
	Safety – females	-2 years
	E. Mortality among disabled members	Table A-3
	Basis – RP-2000 Combined Mortality Table, 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
	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-10
	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	0.030%	0.019%	0.030%	0.019%
25	0.037%	0.020%	0.037%	0.020%
30	0.038%	0.024%	0.038%	0.024%
35	0.056%	0.039%	0.056%	0.039%
40	0.090%	0.060%	0.090%	0.060%
45	0.122%	0.094%	0.122%	0.094%
50	0.173%	0.143%	0.173%	0.143%
55	0.267%	0.221%	0.267%	0.221%
60	0.469%	0.392%	0.469%	0.392%
65	0.876%	0.765%	0.876%	0.765%
70	1.608%	1.345%	1.608%	1.345%
75	2.728%	2.297%	2.728%	2.297%
80	4.691%	3.760%	4.691%	3.760%
85	8.049%	6.251%	8.049%	6.251%
90	13.604%	10.730%	13.604%	10.730%

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	0.035%	0.019%	0.035%	0.019%
25	0.038%	0.021%	0.038%	0.021%
30	0.044%	0.026%	0.044%	0.026%
35	0.077%	0.048%	0.077%	0.048%
40	0.108%	0.071%	0.108%	0.071%
45	0.151%	0.112%	0.151%	0.112%
50	0.214%	0.168%	0.214%	0.168%
55	0.362%	0.272%	0.362%	0.272%
60	0.675%	0.506%	0.675%	0.506%
65	1.274%	0.971%	1.274%	0.971%
70	2.221%	1.674%	2.221%	1.674%
75	3.783%	2.811%	3.783%	2.811%
80	6.437%	4.588%	6.437%	4.588%
85	11.076%	7.745%	11.076%	7.745%
90	18.341%	13.168%	18.341%	13.168%

Santa Barbara County Employees' Retirement System

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

<u>Years of Service</u>	<u>General Male</u>	<u>General Female</u>	<u>Safety</u>
0	100%	100%	100%
1	95%	95%	100%
2	90%	95%	90%
3	80%	85%	85%
4	80%	85%	75%
5	50%	50%	35%
6	50%	50%	35%
7	50%	50%	35%
8	50%	50%	35%
9	50%	50%	35%
10	15%	20%	35%
11	15%	20%	35%
12	15%	20%	35%
13	15%	20%	35%
14	15%	20%	35%
15	10%	10%	20%
16	10%	10%	20%
17	10%	10%	20%
18	10%	10%	20%
19	10%	10%	20%
20	0%	0%	0%
21	0%	0%	0%
22	0%	0%	0%
23	0%	0%	0%
24	0%	0%	0%
25	0%	0%	0%
26	0%	0%	0%
27	0%	0%	0%
28	0%	0%	0%
29	0%	0%	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%	8.94%
1	4.00%	8.16%
2	3.25%	7.38%
3	2.50%	6.60%
4	2.00%	6.08%
5	1.50%	5.56%
6	1.25%	5.30%
7	1.00%	5.04%
8	0.90%	4.94%
9	0.80%	4.83%
10	0.78%	4.81%
11	0.75%	4.78%
12	0.70%	4.73%
13	0.65%	4.68%
14	0.60%	4.62%
15	0.55%	4.57%
16	0.50%	4.52%
17	0.48%	4.50%
18	0.46%	4.48%
19	0.44%	4.46%
20	0.42%	4.44%
21	0.40%	4.42%
22	0.38%	4.40%
23	0.36%	4.37%
24	0.34%	4.35%
25	0.32%	4.33%
26	0.30%	4.31%
27	0.28%	4.29%
28	0.26%	4.27%
29	0.25%	4.26%
30 or More	0.25%	4.26%

** The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 4.00% 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%	10.24%
1	5.00%	9.20%
2	4.00%	8.16%
3	3.25%	7.38%
4	2.50%	6.60%
5	2.00%	6.08%
6	1.60%	5.66%
7	1.30%	5.35%
8	1.20%	5.25%
9	1.10%	5.14%
10	1.00%	5.04%
11	0.95%	4.99%
12	0.92%	4.96%
13	0.89%	4.93%
14	0.87%	4.90%
15	0.85%	4.88%
16	0.82%	4.85%
17	0.80%	4.83%
18	0.77%	4.80%
19	0.74%	4.77%
20	0.72%	4.75%
21	0.69%	4.72%
22	0.67%	4.70%
23	0.64%	4.67%
24	0.62%	4.64%
25	0.59%	4.62%
26	0.57%	4.59%
27	0.54%	4.57%
28	0.52%	4.54%
29	0.50%	4.52%
30 or More	0.50%	4.52%

* The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 4.00% 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	0.00008	0.00000	0.00027	0	0.0998
19	0.0000	0.00008	0.00000	0.00028	1	0.0998
20	0.0000	0.00008	0.00000	0.00030	2	0.0998
21	0.0000	0.00008	0.00000	0.00032	3	0.0998
22	0.0000	0.00008	0.00000	0.00033	4	0.0998
23	0.0000	0.00008	0.00000	0.00035	5	0.0875
24	0.0000	0.00008	0.00000	0.00036	6	0.0752
25	0.0000	0.00008	0.00000	0.00037	7	0.0630
26	0.0000	0.00008	0.00000	0.00037	8	0.0582
27	0.0000	0.00008	0.00000	0.00038	9	0.0535
28	0.0000	0.00008	0.00000	0.00038	10	0.0487
29	0.0000	0.00008	0.00000	0.00038	11	0.0440
30	0.0000	0.00017	0.00000	0.00038	12	0.0392
31	0.0000	0.00017	0.00000	0.00039	13	0.0373
32	0.0000	0.00017	0.00000	0.00041	14	0.0354
33	0.0000	0.00017	0.00000	0.00044	15	0.0334
34	0.0000	0.00017	0.00000	0.00050	16	0.0315
35	0.0000	0.00025	0.00008	0.00056	17	0.0296
36	0.0000	0.00033	0.00008	0.00063	18	0.0276
37	0.0000	0.00041	0.00008	0.00070	19	0.0257
38	0.0000	0.00050	0.00008	0.00077	20	0.0237
39	0.0000	0.00058	0.00016	0.00084	21	0.0218
40	0.0200	0.00066	0.00016	0.00090	22	0.0198
41	0.0200	0.00074	0.00016	0.00096	23	0.0160
42	0.0200	0.00091	0.00024	0.00102	24	0.0123
43	0.0200	0.00099	0.00032	0.00108	25	0.0085
44	0.0200	0.00107	0.00040	0.00114	26	0.0048
45	0.0200	0.00124	0.00047	0.00122	27	0.0010
46	0.0200	0.00132	0.00055	0.00130	28	0.0008
47	0.0200	0.00140	0.00063	0.00140	29	0.0006
48	0.0200	0.00148	0.00071	0.00151	30 & Above	0.0004
49	0.0200	0.00157	0.00087	0.00162		
50	0.0200	0.00165	0.00103	0.00173		
51	0.0200	0.00182	0.00119	0.00186		
52	0.0400	0.00198	0.00134	0.00200		
53	0.0500	0.00206	0.00150	0.00214		
54	0.0700	0.00214	0.00166	0.00245		
55	0.0800	0.00231	0.00182	0.00267		
56	0.0800	0.00247	0.00197	0.00292		
57	0.0800	0.00256	0.00213	0.00320		
58	0.1000	0.00264	0.00236	0.00362		
59	0.0900	0.00281	0.00260	0.00420		
60	0.1500	0.00289	0.00292	0.00469		
61	0.2500	0.00305	0.00323	0.00527		
62	0.2500	0.00314	0.00355	0.00595		
63	0.1500	0.00330	0.00386	0.00675		
64	0.3000	0.00346	0.00418	0.00768		
65	0.1500	0.00346	0.00449	0.00876		
66	0.2000	0.00346	0.00481	0.01001		
67	0.2000	0.00346	0.00520	0.01128		
68	0.2000	0.00346	0.00559	0.01274		
69	0.2000	0.00346	0.00599	0.01441		
70	0.2000	0.00346	0.00599	0.01608		
71	0.2000	0.00346	0.00599	0.01787		
72	0.2000	0.00346	0.00599	0.01980		
73	0.2000	0.00346	0.00599	0.02221		
74	0.2000	0.00346	0.00599	0.02457		
75	1.0000	0.00000	0.00000	0.00000		

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	0.00012	0.00000	0.00018	0	0.1132
19	0.0000	0.00012	0.00000	0.00018	1	0.1132
20	0.0000	0.00012	0.00000	0.00019	2	0.1132
21	0.0000	0.00012	0.00000	0.00019	3	0.0952
22	0.0000	0.00012	0.00000	0.00019	4	0.0861
23	0.0000	0.00012	0.00000	0.00019	5	0.0784
24	0.0000	0.00012	0.00000	0.00019	6	0.0681
25	0.0000	0.00012	0.00018	0.00020	7	0.0630
26	0.0000	0.00012	0.00018	0.00020	8	0.0582
27	0.0000	0.00012	0.00018	0.00021	9	0.0535
28	0.0000	0.00012	0.00018	0.00021	10	0.0487
29	0.0000	0.00012	0.00018	0.00022	11	0.0440
30	0.0000	0.00012	0.00018	0.00024	12	0.0392
31	0.0000	0.00012	0.00018	0.00025	13	0.0373
32	0.0000	0.00012	0.00035	0.00026	14	0.0354
33	0.0000	0.00012	0.00035	0.00031	15	0.0334
34	0.0000	0.00012	0.00035	0.00035	16	0.0315
35	0.0000	0.00024	0.00050	0.00039	17	0.0296
36	0.0000	0.00024	0.00050	0.00044	18	0.0276
37	0.0000	0.00036	0.00050	0.00048	19	0.0257
38	0.0000	0.00036	0.00050	0.00051	20	0.0237
39	0.0000	0.00048	0.00050	0.00055	21	0.0218
40	0.0800	0.00060	0.00068	0.00060	22	0.0198
41	0.0800	0.00072	0.00085	0.00065	23	0.0160
42	0.0800	0.00084	0.00085	0.00071	24	0.0123
43	0.0800	0.00096	0.00117	0.00077	25	0.0085
44	0.0800	0.00096	0.00135	0.00085	26	0.0048
45	0.0800	0.00108	0.00153	0.00094	27	0.0010
46	0.0800	0.00108	0.00168	0.00103	28	0.0008
47	0.0800	0.00120	0.00168	0.00112	29	0.0006
48	0.0800	0.00132	0.00185	0.00122	30 & Above	0.0004
49	0.0800	0.00144	0.00203	0.00133		
50	0.0800	0.00144	0.00219	0.00143		
51	0.0800	0.00156	0.00236	0.00155		
52	0.0800	0.00168	0.00252	0.00168		
53	0.0800	0.00180	0.00252	0.00185		
54	0.0800	0.00192	0.00270	0.00202		
55	0.0800	0.00204	0.00286	0.00221		
56	0.0800	0.00216	0.00305	0.00242		
57	0.0800	0.00216	0.00319	0.00272		
58	0.1000	0.00228	0.00354	0.00309		
59	0.1200	0.00240	0.00387	0.00348		
60	0.1500	0.00252	0.00422	0.00392		
61	0.1800	0.00264	0.00458	0.00444		
62	0.3000	0.00276	0.00506	0.00506		
63	0.3000	0.00288	0.00557	0.00581		
64	0.2000	0.00300	0.00608	0.00666		
65	0.2500	0.00300	0.00608	0.00765		
66	0.2500	0.00300	0.00608	0.00862		
67	0.2500	0.00300	0.00608	0.00971		
68	0.2500	0.00300	0.00608	0.01095		
69	0.2500	0.00300	0.00608	0.01216		
70	0.3000	0.00300	0.00608	0.01345		
71	0.3000	0.00300	0.00608	0.01486		
72	0.5000	0.00300	0.00608	0.01674		
73	0.5000	0.00300	0.00608	0.01858		
74	0.5000	0.00300	0.00608	0.02067		
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-9: Rate of Separation From Active Service For Safety Members
Plan 4 - Male**

Age	Service Retirement	Service Disability	Ordinary Disability	Death	Years of Service	Other Terminations
18	0.0000	0.00015	0.00000	0.00027	0	0.0488
19	0.0000	0.00015	0.00000	0.00028	1	0.0488
20	0.0000	0.00015	0.00000	0.00030	2	0.0488
21	0.0000	0.00015	0.00000	0.00032	3	0.0488
22	0.0000	0.00015	0.00000	0.00033	4	0.0392
23	0.0000	0.00015	0.00000	0.00035	5	0.0360
24	0.0000	0.00020	0.00000	0.00036	6	0.0328
25	0.0000	0.00030	0.00004	0.00037	7	0.0296
26	0.0000	0.00040	0.00004	0.00037	8	0.0286
27	0.0000	0.00054	0.00004	0.00038	9	0.0276
28	0.0000	0.00069	0.00004	0.00038	10	0.0266
29	0.0000	0.00085	0.00004	0.00038	11	0.0257
30	0.0300	0.00103	0.00004	0.00038	12	0.0247
31	0.0300	0.00123	0.00007	0.00039	13	0.0237
32	0.0300	0.00143	0.00010	0.00041	14	0.0227
33	0.0300	0.00168	0.00017	0.00044	15	0.0218
34	0.0300	0.00193	0.00025	0.00050	16	0.0208
35	0.0300	0.00222	0.00032	0.00056	17	0.0198
36	0.0300	0.00257	0.00038	0.00063	18	0.0158
37	0.0300	0.00292	0.00046	0.00070	19	0.0119
38	0.0300	0.00327	0.00052	0.00077	20 & Above	0.0000
39	0.0300	0.00362	0.00059	0.00084		
40	0.0300	0.00396	0.00066	0.00090		
41	0.0300	0.00430	0.00074	0.00096		
42	0.0300	0.00470	0.00081	0.00102		
43	0.0300	0.00510	0.00084	0.00108		
44	0.0300	0.00549	0.00084	0.00114		
45	0.0300	0.00594	0.00088	0.00122		
46	0.0300	0.00639	0.00088	0.00130		
47	0.0300	0.00683	0.00091	0.00140		
48	0.0300	0.00727	0.00091	0.00151		
49	0.0300	0.00772	0.00094	0.00162		
50	0.0400	0.00816	0.00094	0.00173		
51	0.0300	0.00867	0.00098	0.00186		
52	0.0300	0.00916	0.00098	0.00200		
53	0.0300	0.00965	0.00102	0.00214		
54	0.1500	0.01014	0.00105	0.00245		
55	0.2000	0.01014	0.00105	0.00267		
56	0.2000	0.01014	0.00105	0.00292		
57	0.3000	0.01014	0.00105	0.00320		
58	0.3000	0.01014	0.00105	0.00362		
59	0.2000	0.01014	0.00105	0.00420		
60	0.2000	0.01014	0.00105	0.00469		
61	0.2000	0.01014	0.00105	0.00527		
62	0.3500	0.01014	0.00105	0.00595		
63	0.2000	0.01014	0.00105	0.00675		
64	0.2000	0.01014	0.00105	0.00768		
65	1.0000	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	Death	Years of Service	Other Terminations
18	0.0000	0.00015	0.00000	0.00018	0	0.0488
19	0.0000	0.00015	0.00000	0.00018	1	0.0488
20	0.0000	0.00015	0.00000	0.00019	2	0.0488
21	0.0000	0.00015	0.00000	0.00019	3	0.0488
22	0.0000	0.00015	0.00000	0.00019	4	0.0392
23	0.0000	0.00015	0.00000	0.00019	5	0.0360
24	0.0000	0.00020	0.00000	0.00019	6	0.0328
25	0.0000	0.00030	0.00004	0.00020	7	0.0296
26	0.0000	0.00040	0.00004	0.00020	8	0.0286
27	0.0000	0.00054	0.00004	0.00021	9	0.0276
28	0.0000	0.00069	0.00004	0.00021	10	0.0266
29	0.0000	0.00085	0.00004	0.00022	11	0.0257
30	0.0300	0.00103	0.00004	0.00024	12	0.0247
31	0.0300	0.00123	0.00007	0.00025	13	0.0237
32	0.0300	0.00143	0.00010	0.00026	14	0.0227
33	0.0300	0.00168	0.00017	0.00031	15	0.0218
34	0.0300	0.00193	0.00025	0.00035	16	0.0208
35	0.0300	0.00222	0.00032	0.00039	17	0.0198
36	0.0300	0.00257	0.00038	0.00044	18	0.0158
37	0.0300	0.00292	0.00046	0.00048	19	0.0119
38	0.0300	0.00327	0.00052	0.00051	20 & Above	0.0000
39	0.0300	0.00362	0.00059	0.00055		
40	0.0300	0.00396	0.00066	0.00060		
41	0.0300	0.00430	0.00074	0.00065		
42	0.0300	0.00470	0.00081	0.00071		
43	0.0300	0.00510	0.00084	0.00077		
44	0.0300	0.00549	0.00084	0.00085		
45	0.0300	0.00594	0.00088	0.00094		
46	0.0300	0.00639	0.00088	0.00103		
47	0.0300	0.00683	0.00091	0.00112		
48	0.0300	0.00727	0.00091	0.00122		
49	0.0300	0.00772	0.00094	0.00133		
50	0.0400	0.00816	0.00094	0.00143		
51	0.0300	0.00867	0.00098	0.00155		
52	0.0300	0.00916	0.00098	0.00168		
53	0.0300	0.00965	0.00102	0.00185		
54	0.1500	0.01014	0.00105	0.00202		
55	0.2000	0.01014	0.00105	0.00221		
56	0.2000	0.01014	0.00105	0.00242		
57	0.3000	0.01014	0.00105	0.00272		
58	0.3000	0.01014	0.00105	0.00309		
59	0.2000	0.01014	0.00105	0.00348		
60	0.2000	0.01014	0.00105	0.00392		
61	0.2000	0.01014	0.00105	0.00444		
62	0.3500	0.01014	0.00105	0.00506		
63	0.2000	0.01014	0.00105	0.00581		
64	0.2000	0.01014	0.00105	0.00666		
65	1.0000	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	Death	Years of Service	Other Terminations
18	0.0000	0.00015	0.00000	0.00027	0	0.0488
19	0.0000	0.00015	0.00000	0.00028	1	0.0488
20	0.0000	0.00015	0.00000	0.00030	2	0.0488
21	0.0000	0.00015	0.00000	0.00032	3	0.0488
22	0.0000	0.00015	0.00000	0.00033	4	0.0392
23	0.0000	0.00015	0.00000	0.00035	5	0.0360
24	0.0000	0.00020	0.00000	0.00036	6	0.0328
25	0.0000	0.00030	0.00004	0.00037	7	0.0296
26	0.0000	0.00040	0.00004	0.00037	8	0.0286
27	0.0000	0.00054	0.00004	0.00038	9	0.0276
28	0.0000	0.00069	0.00004	0.00038	10	0.0266
29	0.0000	0.00085	0.00004	0.00038	11	0.0257
30	0.0300	0.00103	0.00004	0.00038	12	0.0247
31	0.0300	0.00123	0.00007	0.00039	13	0.0237
32	0.0300	0.00143	0.00010	0.00041	14	0.0227
33	0.0300	0.00168	0.00017	0.00044	15	0.0218
34	0.0300	0.00193	0.00025	0.00050	16	0.0208
35	0.0300	0.00222	0.00032	0.00056	17	0.0198
36	0.0300	0.00257	0.00038	0.00063	18	0.0158
37	0.0300	0.00292	0.00046	0.00070	19	0.0119
38	0.0300	0.00327	0.00052	0.00077	20 & Above	0.0000
39	0.0300	0.00362	0.00059	0.00084		
40	0.0300	0.00396	0.00066	0.00090		
41	0.0400	0.00430	0.00074	0.00096		
42	0.0400	0.00470	0.00081	0.00102		
43	0.0400	0.00510	0.00084	0.00108		
44	0.0400	0.00549	0.00084	0.00114		
45	0.0400	0.00594	0.00088	0.00122		
46	0.0400	0.00639	0.00088	0.00130		
47	0.0400	0.00683	0.00091	0.00140		
48	0.0400	0.00727	0.00091	0.00151		
49	0.0800	0.00772	0.00094	0.00162		
50	0.0800	0.00816	0.00094	0.00173		
51	0.0800	0.00867	0.00098	0.00186		
52	0.1000	0.00916	0.00098	0.00200		
53	0.1000	0.00965	0.00102	0.00214		
54	0.1500	0.01014	0.00105	0.00245		
55	0.2000	0.01014	0.00105	0.00267		
56	0.2000	0.01014	0.00105	0.00292		
57	0.3000	0.01014	0.00105	0.00320		
58	0.3000	0.01014	0.00105	0.00362		
59	0.2000	0.01014	0.00105	0.00420		
60	0.2000	0.01014	0.00105	0.00469		
61	0.2000	0.01014	0.00105	0.00527		
62	0.3500	0.01014	0.00105	0.00595		
63	0.2000	0.01014	0.00105	0.00675		
64	0.2000	0.01014	0.00105	0.00768		
65	1.0000	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	Death	Years of Service	Other Terminations
18	0.0000	0.00015	0.00000	0.00018	0	0.0488
19	0.0000	0.00015	0.00000	0.00018	1	0.0488
20	0.0000	0.00015	0.00000	0.00019	2	0.0488
21	0.0000	0.00015	0.00000	0.00019	3	0.0488
22	0.0000	0.00015	0.00000	0.00019	4	0.0392
23	0.0000	0.00015	0.00000	0.00019	5	0.0360
24	0.0000	0.00020	0.00000	0.00019	6	0.0328
25	0.0000	0.00030	0.00004	0.00020	7	0.0296
26	0.0000	0.00040	0.00004	0.00020	8	0.0286
27	0.0000	0.00054	0.00004	0.00021	9	0.0276
28	0.0000	0.00069	0.00004	0.00021	10	0.0266
29	0.0000	0.00085	0.00004	0.00022	11	0.0257
30	0.0300	0.00103	0.00004	0.00024	12	0.0247
31	0.0300	0.00123	0.00007	0.00025	13	0.0237
32	0.0300	0.00143	0.00010	0.00026	14	0.0227
33	0.0300	0.00168	0.00017	0.00031	15	0.0218
34	0.0300	0.00193	0.00025	0.00035	16	0.0208
35	0.0300	0.00222	0.00032	0.00039	17	0.0198
36	0.0300	0.00257	0.00038	0.00044	18	0.0158
37	0.0300	0.00292	0.00046	0.00048	19	0.0119
38	0.0300	0.00327	0.00052	0.00051	20 & Above	0.0000
39	0.0300	0.00362	0.00059	0.00055		
40	0.0300	0.00396	0.00066	0.00060		
41	0.0400	0.00430	0.00074	0.00065		
42	0.0400	0.00470	0.00081	0.00071		
43	0.0400	0.00510	0.00084	0.00077		
44	0.0400	0.00549	0.00084	0.00085		
45	0.0400	0.00594	0.00088	0.00094		
46	0.0400	0.00639	0.00088	0.00103		
47	0.0400	0.00683	0.00091	0.00112		
48	0.0400	0.00727	0.00091	0.00122		
49	0.0800	0.00772	0.00094	0.00133		
50	0.0800	0.00816	0.00094	0.00143		
51	0.0800	0.00867	0.00098	0.00155		
52	0.1000	0.00916	0.00098	0.00168		
53	0.1000	0.00965	0.00102	0.00185		
54	0.1500	0.01014	0.00105	0.00202		
55	0.2000	0.01014	0.00105	0.00221		
56	0.2000	0.01014	0.00105	0.00242		
57	0.3000	0.01014	0.00105	0.00272		
58	0.3000	0.01014	0.00105	0.00309		
59	0.2000	0.01014	0.00105	0.00348		
60	0.2000	0.01014	0.00105	0.00392		
61	0.2000	0.01014	0.00105	0.00444		
62	0.3500	0.01014	0.00105	0.00506		
63	0.2000	0.01014	0.00105	0.00581		
64	0.2000	0.01014	0.00105	0.00666		
65	1.0000	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, 2007. 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. Safety members are eligible to join Plans 4A, 4B, 4C, 4D, 6A and 6B. Membership in a particular tier depends primarily upon date of entry to the system.

General members: all non-Safety employees are eligible to be General members. General members are eligible to be members of General Plan 2, 5A and 5B. 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 eligible to join 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.
Safety Plan 4C & Safety Plan 4D:	Members in certain bargaining units hired on or after October 10, 1994. 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 will transfer 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 will transfer from Plan 4D on February 25, 2008.



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B-1

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. (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.

APCD Plan 1 member rates are half APCD Plan 2 member rates.

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

Safety Plans 4C, 4D, 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:	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 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, 4D & 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: 2% x Final Compensation x General Age Factor x Years of Service. (31676.12)

Plan 2: Sum of (a) + (b) – (c): (31486.4)
 (a) 2% x Final Compensation x Years of Service (max. 35 years); plus
 (b) 1% x Final Compensation x Years of Service in excess of 35 (max. 10 years); minus
 (c) 1/35 x Primary Insurance Amount (PIA) at age 65 x 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% x Final Compensation x APCD Age Factor x Years of Service. (31676.15)

Safety members:

3% x Final Compensation x Safety Age Factor x Years of service. (31664.2)

Age Factors are higher for Plans 6A and 6B

(31664.1)

Age Factors by Plan

Code Section:	<u>APCD</u>	<u>General</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 with five (5) years 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).

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)

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)

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 60% \times 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)

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, 2007 was supplied to us by the system staff. On the following table, Exhibit C-1, we present a summary of SBCERS membership at June 30, 2007 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 annualized amounts based on the biweekly pay for the period prior to the valuation date. If the annualized amount was less than the total prior earnings, we used the total prior year earnings.

However, the bi-weekly pay reported was used to establish the pay rate as of June 30, 2007.

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.

**Santa Barbara County Employees'
Retirement System**

Exhibit C-1: SBCERS Membership – Active Members as of June 30, 2007

	Total Number	Annual Compensation	Average Age	Average Monthly Compensation	Average Vesting Service
General Members					
Plan 5A	1,142	\$ 76,654,227	51.7	\$5,594	19.4
Plan 5B	2,401	\$ 136,484,446	41.8	\$4,737	5.5
Plan 2	26	\$ 1,578,671	54.4	\$5,060	19.2
Total	3,569	\$ 214,717,344	45.0	\$5,013	10.1
Safety Members					
Plan 4A	126	\$ 11,859,947	48.6	\$7,844	20.4
Plan 4B	12	\$ 1,349,328	51.8	\$9,370	21.0
Plan 4C	357	\$ 23,424,243	38.8	\$5,468	8.2
Plan 6A*	216	\$ 18,553,101	47.2	\$7,158	20.8
Plan 6B*	292	\$ 20,319,539	35.9	\$5,799	5.9
Total	1,003	\$ 75,506,157	41.2	\$6,273	11.9
APCD Members					
Plan 1	32	\$ 2,523,483	51.3	\$6,572	19.3
Plan 2	21	\$ 1,416,084	47.6	\$5,619	6.7
Total	53	\$ 3,939,567	49.8	\$6,194	14.3
Grand Total	4,625	\$ 294,163,067	44.3	\$5,300	10.5

* There are no members in Plan 6 as of June 30, 2007. The statistics in this exhibit for Plan 6 are for those expected to enter Plan 6 in February 2008.

Santa Barbara County Employees' Retirement System

Exhibit C-2: SBCERS Membership – Deferred Vested Members as of June 30, 2007

	Number	Average Age
<i>General Members</i>		
Plan 5A	200	48.9
Plan 5B	467	42.3
Plan 2	30	50.8
Other	239	49.3
Total	936	45.8
<i>Safety Members</i>		
Plan 4A	29	45.3
Plan 4B	61	39.5
Plan 4C	14	35.6
Plan 4D	5	33.8
Plan 6A	-	-
Plan 6B	-	-
Other	77	44.8
Total	186	42.1
<i>APCD Members</i>		
Plan 1	13	47.2
Plan 2	2	50.5
Total	15	47.6
<i>Grand Total</i>	1,137	45.2

**Santa Barbara County Employees'
Retirement System**

Exhibit C-3a: SBCERS Membership – Retired Members as of June 30, 2007

	<u>Number</u>	<u>Average Age</u>	<u>Monthly Allowance</u>	<u>Average Monthly Benefit</u>
General Members				
Plan 5A	578	61.4	\$ 1,350,173	\$ 2,336
Plan 5B	84	62.2	\$ 92,208	1,098
Plan 2	32	71.0	\$ 11,570	362
Other	1,536	74.9	\$ 2,149,746	1,400
Total	2,230	70.8	\$ 3,603,698	\$ 1,616
Safety Members				
Plan 4A	160	58.5	\$ 917,249	\$ 5,733
Plan 4B	59	59.8	\$ 224,100	\$ 3,798
Plan 4C	2	60.0	\$ 2,674	\$ 1,337
Plan 4D	1	42.0	\$ 3,572	\$ 3,572
Plan 6A	-	-	\$ -	\$ -
Plan 6B	-	-	\$ -	\$ -
Other	343	67.6	\$ 1,103,859	\$ 3,218
Total	565	64.1	\$ 2,251,455	\$ 3,985
APCD Members				
Plan 1	17	61.6	\$ 41,773	\$ 2,457
Plan 2	-	-	\$ -	\$ -
Total	17	61.6	\$ 41,773	\$ 2,457
Grand Total	2,812	69.4	\$ 5,896,925	\$ 2,097

**Santa Barbara County Employees'
Retirement System**

**Exhibit C-3b: SBCERS Membership – Retired Members as of June 30, 2007
Subtotaled by Class and Retirement Type**

	<u>Number</u>		<u>Monthly Allowance</u>		<u>Average Monthly Benefit</u>
General Members					
Healthy	1,773	\$	3,094,793	\$	1,746
Disabled	127	\$	209,283	\$	1,648
Beneficiaries	330	\$	299,622	\$	908
Total	2,230	\$	3,603,698	\$	1,616
Safety Members					
Healthy	395	\$	1,847,912	\$	4,678
Disabled	117	\$	303,800	\$	2,597
Beneficiaries	53	\$	99,743	\$	1,882
Total	565	\$	2,251,455	\$	3,985
APCD Members					
Healthy	16	\$	39,990	\$	2,499
Disabled	-	\$	-	\$	-
Beneficiaries	1	\$	1,783	\$	1,783
Total	17	\$	41,773	\$	2,457
Grand Total	2,812	\$	5,896,925	\$	2,097

Santa Barbara County Employees' Retirement System

**Exhibit C-4: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2007
All Members**

Count	Years of Vesting Service									Total Count	
	Age	0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34		35&Over
Under 25	59	45	-	-	-	-	-	-	-	-	104
25-29	126	244	50	-	-	-	-	-	-	-	420
30-34	66	185	208	35	-	-	-	-	-	-	494
35-39	53	152	255	133	35	1	-	-	-	-	629
40-44	41	113	173	126	116	51	-	-	-	-	620
45-49	38	91	159	117	135	110	40	-	-	-	690
50-54	30	85	142	101	124	121	122	21	-	-	746
55-59	24	75	105	70	91	74	74	38	6	-	557
60-64	9	34	63	55	45	20	25	21	8	-	280
65 & Over	-	8	19	19	18	10	3	6	2	-	85
Total Count	446	1,032	1,174	656	564	387	264	86	16	4,625	

Compensation	Years of Vesting Service									Average Comp.	
	Age	0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34		35&Over
Under 25	40,584	45,430	-	-	-	-	-	-	-	-	42,681
25-29	47,916	49,389	56,489	-	-	-	-	-	-	-	49,792
30-34	49,245	54,589	59,692	67,727	-	-	-	-	-	-	56,955
35-39	53,825	56,460	63,659	64,208	68,035	56,585	-	-	-	-	61,439
40-44	56,856	59,015	62,650	64,303	69,597	73,375	-	-	-	-	64,122
45-49	62,617	57,248	58,814	61,832	66,697	80,032	80,575	-	-	-	65,515
50-54	69,993	65,615	63,237	62,438	69,156	78,457	81,415	88,265	-	-	70,801
55-59	62,312	61,391	56,945	65,500	69,858	73,790	89,836	91,032	83,286	-	70,177
60-64	64,042	64,312	63,722	65,752	67,773	76,135	66,172	92,052	86,823	-	68,744
65 & Over	-	67,986	56,334	61,211	86,149	75,905	112,437	56,134	77,029	-	69,590
Avg. Annual Compensation	52,505	55,781	61,079	63,898	69,134	77,100	82,557	88,171	84,272	63,603	



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Santa Barbara County Employees' Retirement System

**Exhibit C-4a: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2007
General Members**

Count											
Age	Years of Service									Total Count	
	0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over		
Under 25	50	34	-	-	-	-	-	-	-	-	84
25-29	91	175	35	-	-	-	-	-	-	-	301
30-34	58	145	123	23	-	-	-	-	-	-	349
35-39	44	119	174	88	19	1	-	-	-	-	445
40-44	35	103	135	90	66	31	-	-	-	-	460
45-49	34	80	141	98	103	57	24	-	-	-	537
50-54	28	79	123	86	106	84	60	11	-	-	577
55-59	21	69	95	64	76	66	59	30	5	-	485
60-64	8	32	52	52	37	19	24	21	7	-	252
65 & Over	-	8	17	16	18	10	2	6	2	-	79
Total Count	369	844	895	517	425	268	169	68	14	3,569	

Compensation											
Age	Years of Service									Average Comp.	
	0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over		
Under 25	38,597	41,865	-	-	-	-	-	-	-	-	39,920
25-29	44,448	44,452	48,443	-	-	-	-	-	-	-	44,915
30-34	47,935	51,561	52,586	61,176	-	-	-	-	-	-	51,953
35-39	52,950	53,552	59,429	57,974	62,780	56,585	-	-	-	-	57,066
40-44	57,698	58,011	60,271	57,715	65,661	62,348	-	-	-	-	59,982
45-49	62,765	56,812	57,582	59,945	62,010	71,445	64,517	-	-	-	60,857
50-54	66,021	65,717	63,447	61,253	68,156	72,456	65,000	69,040	-	-	66,000
55-59	61,994	59,935	55,932	64,587	68,660	72,927	88,202	88,909	71,427	-	68,339
60-64	62,620	63,575	62,778	66,536	67,773	75,919	66,671	92,052	84,709	-	68,793
65 & Over	-	67,986	56,109	59,624	86,149	75,905	115,834	56,134	77,029	-	69,418
Avg. Annual Compensation	51,191	53,883	58,207	60,721	66,858	71,503	73,870	83,774	78,868	60,162	



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Santa Barbara County Employees' Retirement System

**Exhibit C-4b: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2007
Safety Members**

Age	Years of Service									Total Count
	0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	9	10	-	-	-	-	-	-	-	19
25-29	35	67	15	-	-	-	-	-	-	117
30-34	8	39	85	11	-	-	-	-	-	143
35-39	9	33	79	45	16	-	-	-	-	182
40-44	6	10	38	35	45	20	-	-	-	154
45-49	3	10	18	19	29	50	16	-	-	145
50-54	2	6	14	14	14	34	60	10	-	154
55-59	3	6	8	6	9	8	14	7	1	62
60-64	-	2	8	2	7	-	1	-	1	21
65 & Over	-	-	2	3	-	-	1	-	-	6
Total Count	75	183	267	135	120	112	92	17	2	1,003

Age	Years of Service									Average Comp.
	0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	51,624	55,851	-	-	-	-	-	-	-	53,849
25-29	56,934	61,451	75,265	-	-	-	-	-	-	61,871
30-34	58,747	65,996	69,976	78,187	-	-	-	-	-	68,894
35-39	58,101	66,946	72,814	76,397	74,274	-	-	-	-	72,037
40-44	51,941	69,357	71,099	80,873	76,333	90,466	-	-	-	76,506
45-49	59,992	58,504	68,469	71,563	80,959	90,007	104,661	-	-	81,930
50-54	125,600	64,273	60,806	67,198	75,569	91,753	96,708	109,414	-	87,682
55-59	64,540	78,135	63,565	75,240	79,475	80,904	97,215	102,910	142,578	84,014
60-64	-	76,106	77,081	42,447	66,729	-	54,211	-	101,621	70,318
65 & Over	-	-	58,242	69,677	-	-	105,644	-	-	71,860
Avg. Annual Compensation	58,488	64,175	70,623	75,365	76,763	89,969	97,803	106,736	122,099	75,280



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Santa Barbara County Employees' Retirement System

**Exhibit C-4c: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2007
APCD Members**

Count	Years of Service									Total Count	
	Age	0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34		35&Over
Under 25	-	1	-	-	-	-	-	-	-	-	1
25-29	-	2	-	-	-	-	-	-	-	-	2
30-34	-	1	-	1	-	-	-	-	-	-	2
35-39	-	-	2	-	-	-	-	-	-	-	2
40-44	-	-	-	1	5	-	-	-	-	-	6
45-49	1	1	-	-	3	3	-	-	-	-	8
50-54	-	-	5	1	4	3	2	-	-	-	15
55-59	-	-	2	-	6	-	1	1	-	-	10
60-64	1	-	3	1	1	1	-	-	-	-	7
65 & Over	-	-	-	-	-	-	-	-	-	-	-
Total Count	2	5	12	4	19	7	3	1	-	53	

Compensation	Years of Service									Average Comp.	
	Age	0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34		35&Over
Under 25	-	62,428	-	-	-	-	-	-	-	-	62,428
25-29	-	77,253	-	-	-	-	-	-	-	-	77,253
30-34	-	48,694	-	103,356	-	-	-	-	-	-	76,025
35-39	-	-	70,002	-	-	-	-	-	-	-	70,002
40-44	-	-	-	77,231	60,923	-	-	-	-	-	63,641
45-49	65,437	79,614	-	-	89,753	76,919	-	-	-	-	80,633
50-54	-	-	64,900	97,706	73,208	95,785	115,100	-	-	-	82,173
55-59	-	-	78,583	-	70,609	-	82,951	71,584	-	-	73,535
60-64	75,417	-	44,459	71,583	75,102	80,242	-	-	-	-	62,246
65 & Over	-	-	-	-	-	-	-	-	-	-	-
Avg. Annual Compensation	70,427	69,048	62,921	87,469	71,866	85,479	104,383	71,584	-	74,331	



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-5: Distribution of Retired Members by Age and Retirement Year as of June 30, 2007 All Members

Age	Retirement Year								Total Count	Average Monthly Benefit
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-07		
Under 35	-	-	-	-	-	3	5	4	12	\$ 955
35-39	-	-	-	-	-	3	3	1	7	1,636
40-44	-	-	-	-	2	2	4	2	10	1,377
45-49	-	-	-	-	-	11	13	10	34	1,663
50-54	-	-	-	3	1	12	46	75	137	1,445
55-59	-	1	2	6	3	40	119	126	297	2,414
60-64	2	10	7	4	19	120	233	136	531	3,154
65-69	4	15	11	17	72	130	177	57	483	2,524
70-74	5	13	12	45	68	126	78	23	370	1,904
75-79	7	13	40	50	111	61	44	11	337	1,672
80-84	13	46	47	90	38	18	23	7	282	1,283
85-89	17	45	65	26	8	7	23	3	194	1,303
90-94	19	30	23	5	1	5	9	2	94	882
95-99	8	8	2	-	-	1	2	1	22	1,238
100 & Over	2	-	-	-	-	-	-	-	2	1,220
Total Count	77	181	209	246	323	539	779	458	2,812	
Avg Monthly Benefit	\$ 1,118	\$ 1,007	\$ 1,318	\$ 1,678	\$ 2,012	\$ 2,149	\$ 2,498	\$ 2,589		\$ 2,097



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-5a: Distribution of Retired Members by Age and Retirement Year as of June 30, 2007
General Members**

Age	Retirement Year								Total Count	Average Monthly Benefit
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-07		
Under 35	-	-	-	-	-	3	4	2	9	\$ 673
35-39	-	-	-	-	-	2	2	1	5	1,244
40-44	-	-	-	-	2	1	3	1	7	640
45-49	-	-	-	-	-	9	7	3	19	1,121
50-54	-	-	-	1	1	7	33	58	100	1,125
55-59	-	1	-	4	3	33	83	90	214	1,530
60-64	-	1	-	2	10	77	146	111	347	2,164
65-69	-	4	4	10	56	80	151	50	355	2,002
70-74	2	5	8	31	51	117	73	23	310	1,707
75-79	3	9	33	45	105	55	38	9	297	1,581
80-84	7	43	46	89	37	18	23	7	270	1,250
85-89	12	41	62	26	8	7	23	3	182	1,205
90-94	17	30	23	4	1	5	9	2	91	864
95-99	8	8	2	-	-	1	2	1	22	1,238
100 & Over	2	-	-	-	-	-	-	-	2	1,220
Total Count	51	142	178	212	274	415	597	361	2,230	
Avg Monthly Benefit	\$ 873	\$ 802	\$ 1,150	\$ 1,498	\$ 1,692	\$ 1,525	\$ 1,863	\$ 1,980		\$ 1,616



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 C-11 other parties who receive this work.

Santa Barbara County Employees' Retirement System

**Exhibit C-5b: Distribution of Retired Members by Age and Retirement Year as of June 30, 2007
Safety Members**

Age	Retirement Year								Total Count	Average Monthly Benefit
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-07		
Under 35	-	-	-	-	-	-	1	2	3	\$ 1,799
35-39	-	-	-	-	-	1	1	-	2	2,617
40-44	-	-	-	-	-	1	1	1	3	3,097
45-49	-	-	-	-	-	2	6	6	14	2,391
50-54	-	-	-	2	-	5	13	15	35	2,396
55-59	-	-	2	2	-	7	34	35	80	4,774
60-64	2	9	7	2	9	43	85	22	179	5,067
65-69	4	11	7	7	16	50	25	5	125	3,980
70-74	3	8	4	14	17	9	3	-	58	2,972
75-79	4	4	7	5	6	6	5	2	39	2,400
80-84	6	3	1	1	1	-	-	-	12	2,013
85-89	5	4	3	-	-	-	-	-	12	2,776
90-94	2	-	-	1	-	-	-	-	3	1,416
95-99	-	-	-	-	-	-	-	-	-	-
100 & Over	-	-	-	-	-	-	-	-	-	-
Total Count	26	39	31	34	49	124	174	88	565	
Avg Monthly Benefit	\$ 1,600	\$ 1,757	\$ 2,281	\$ 2,796	\$ 3,802	\$ 4,239	\$ 4,701	\$ 5,064		\$ 3,985



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-5c: Distribution of Retired Members by Age and Retirement Year as of June 30, 2007
APCD Members**

Age	Retirement Year							Total Count	Average Monthly Benefit	
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04			2005-07
Under 35	-	-	-	-	-	-	-	-	-	\$ -
35-39	-	-	-	-	-	-	-	-	-	-
40-44	-	-	-	-	-	-	-	-	-	-
45-49	-	-	-	-	-	-	-	1	1	1,783
50-54	-	-	-	-	-	-	-	2	2	765
55-59	-	-	-	-	-	-	2	1	3	2,500
60-64	-	-	-	-	-	-	2	3	5	3,360
65-69	-	-	-	-	-	-	1	2	3	3,651
70-74	-	-	-	-	-	-	2	-	2	1,423
75-79	-	-	-	-	-	-	1	-	1	362
80-84	-	-	-	-	-	-	-	-	-	-
85-89	-	-	-	-	-	-	-	-	-	-
90-94	-	-	-	-	-	-	-	-	-	-
95-99	-	-	-	-	-	-	-	-	-	-
100 & Over	-	-	-	-	-	-	-	-	-	-
Total Count	-	-	-	-	-	-	8	9	17	
Avg Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,017	\$ 2,849		\$ 2,457



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-6: Reconciliation of System Membership Since Prior Valuation

	Actives	Vested Terms	Terms with Contributions on Deposit	Retirees	Disabilities	Beneficiaries	Total
Total Record Count as of July 1, 2006 *	4,611	778		2,089	239	371	8,088
New Entrants	432						432
Rehired Non-Vested Participants	32						32
Rehired Vested Participants	11	(10)		(1)			-
Non-Vested Terminees	(192)		49				(143)
Vested Terms	(158)	158					-
Service Retirements	(107)	(30)		137			-
Retirement Disabilities	(4)	(1)		(3)	8		-
New Beneficiaries						27	27
Deaths with no Beneficiaries		(1)		(51)	(3)	(15)	(70)
Lump Sum, Annuity or Other		(10)					(10)
Data Adjustments		10	193	13		1	217
Subtotal of Net Changes from 2006 to 2007	14	116	242	95	5	13	485
Total Record Count as of July 1, 2007	4,625	894	242	2,184	244	384	8,573

* Counts as of July 1, 2006 are from the Milliman 2006 replication valuation and may vary from counts shown in the 2006 actuarial valuation performed by the prior actuaries.



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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, 2007 Actuarial Valuation**

Member Contribution Rates

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



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. **D-2**

**Santa Barbara County Employees'
Retirement System**

**Exhibit D-2
Old Rates
Based on June 30, 2006 Actuarial Valuation**

Entry Age	General		APCD		Safety		
	5A	5B	1	2	4A	4B	4C & 4D
16	3.57%	7.13%	4.16%	8.33%	5.47%	10.93%	5.24%
17	3.57%	7.13%	4.16%	8.33%	5.47%	10.93%	5.24%
18	3.57%	7.13%	4.16%	8.33%	5.47%	10.93%	5.24%
19	3.57%	7.13%	4.16%	8.33%	5.47%	10.93%	5.24%
20	3.57%	7.13%	4.16%	8.33%	5.47%	10.93%	5.24%
21	3.56%	7.13%	4.16%	8.31%	5.46%	10.93%	5.23%
22	3.56%	7.13%	4.15%	8.30%	5.47%	10.93%	5.24%
23	3.56%	7.13%	4.15%	8.30%	5.47%	10.94%	5.24%
24	3.57%	7.14%	4.15%	8.30%	5.48%	10.95%	5.25%
25	3.57%	7.15%	4.15%	8.30%	5.49%	10.98%	5.26%
26	3.58%	7.16%	4.16%	8.31%	5.50%	11.01%	5.27%
27	3.59%	7.18%	4.16%	8.32%	5.52%	11.05%	5.29%
28	3.60%	7.20%	4.17%	8.34%	5.55%	11.10%	5.32%
29	3.62%	7.23%	4.18%	8.37%	5.58%	11.16%	5.35%
30	3.63%	7.26%	4.20%	8.40%	5.62%	11.24%	5.39%
31	3.65%	7.30%	4.22%	8.43%	5.67%	11.34%	5.43%
32	3.67%	7.34%	4.23%	8.47%	5.72%	11.44%	5.48%
33	3.69%	7.39%	4.26%	8.51%	5.77%	11.55%	5.53%
34	3.72%	7.43%	4.28%	8.56%	5.83%	11.66%	5.58%
35	3.74%	7.49%	4.31%	8.61%	5.89%	11.78%	5.64%
36	3.77%	7.54%	4.33%	8.67%	5.95%	11.90%	5.70%
37	3.80%	7.60%	4.36%	8.73%	6.02%	12.03%	5.76%
38	3.83%	7.66%	4.39%	8.79%	6.09%	12.17%	5.83%
39	3.86%	7.73%	4.43%	8.86%	6.16%	12.31%	5.90%
40	3.90%	7.80%	4.47%	8.93%	6.23%	12.47%	5.97%
41	3.94%	7.88%	4.51%	9.01%	6.31%	12.63%	6.05%
42	3.98%	7.96%	4.55%	9.10%	6.40%	12.79%	6.13%
43	4.02%	8.04%	4.59%	9.18%	6.48%	12.97%	6.21%
44	4.06%	8.13%	4.64%	9.27%	6.58%	13.15%	6.30%
45	4.11%	8.21%	4.68%	9.37%	6.67%	13.35%	6.39%
46	4.15%	8.31%	4.73%	9.46%	6.78%	13.56%	6.50%
47	4.20%	8.41%	4.79%	9.57%	6.89%	13.78%	6.60%
48	4.25%	8.51%	4.84%	9.68%	7.00%	13.99%	6.70%
49	4.31%	8.61%	4.89%	9.79%	7.11%	14.21%	6.81%
50	4.36%	8.72%	4.95%	9.90%	7.22%	14.44%	6.92%
51	4.42%	8.83%	5.01%	10.03%	7.33%	14.67%	7.03%
52	4.47%	8.95%	5.08%	10.15%	7.45%	14.91%	7.14%
53	4.53%	9.06%	5.14%	10.28%	7.59%	15.18%	7.27%
54	4.59%	9.18%	5.21%	10.41%	7.72%	15.45%	7.40%
55	4.65%	9.30%	5.21%	10.41%	7.72%	15.45%	7.40%
56	4.71%	9.41%	5.21%	10.41%	7.72%	15.45%	7.40%
57	4.77%	9.53%	5.21%	10.41%	7.72%	15.45%	7.40%
58	4.83%	9.65%	5.21%	10.41%	7.72%	15.45%	7.40%
59	4.89%	9.77%	5.21%	10.41%	7.72%	15.45%	7.40%
60	4.89%	9.77%	5.21%	10.41%	7.72%	15.45%	7.40%

Assumptions:
Interest: 8.16%
Salary: 2006 Valuation Scale (Age Based)
Unisex Mortality: General and APCD - GAM 1994 (Male, Setback 3 years); Safety - GAM 1994 (Male, Setback 2 years)

Please note that the previous valuation report stated that the Safety member contribution rates were based upon Sections 31639.5 and 31639.25. We confirmed that this was not correct with Buck Consultants. Buck actually used a target annuity of 1.50% at age 55. We continued that procedure for the proposed member contribution rates.



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

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.